

**NATIONAL UNIVERSITY OF LIFE AND ENVIRONMENTAL  
SCIENCES OF UKRAINE**

Production and Investment Management Department

**MANAGEMENT**

for students of the specialty  
073 "Management"

**KYIV – 2023**

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The course of lectures is designed to consolidate the theoretical and practical foundations of enterprise management, which consistently considers all aspects, categories and provisions of management, namely: the essence of management, the importance of manager and manager, the evolution of management, types of organizations as objects of management, the management process, functions and methods of management, management decisions, communications, leadership in the system of management functions, organizational changes and organizational development, formation of a labour collective, self-management, etc.

For students of specialty 073 "Management".

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### **Educational edition** **Educational and methodological guide: course of lectures**

for students of specialty:  
073 "Management"

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## INTRODUCTION

The success of the organizations, their efficiency, the survival of the organization in the conditions of the formation of market relations depend on the effective management of the organization, and the quality of performance of the main functions of management ensures the achievement of general organizational goals and the coordination of actions of structural units.

Determination of organizational goals and ways of their implementation, search and coordination of all resources necessary for the successful operation of the organization, organization of business, search for solutions to problems that the organization has to face, determination of the direction of corrective actions in the face of changes in the components of the external and internal environment, making rational management decisions are ensured through effective management.

Effective management makes it possible to reveal the capabilities of a person. It uses the abilities, aspirations and intellect of people to most effectively achieve the goals of the organization through the use of motivational factors, knowledge of the psychological characteristics of behaviour and theories of motivation, as well as the provision of the necessary information to specialists at all levels has a positive effect on the creation of a rational organizational structure of organization management, which allows you to apply new management methods, increase labour productivity and the general level of management culture built on the principles of social responsibility of business.

The consideration of the most essential provisions of management is based on the organisation's management process, which allows one to understand the process of managerial activity, identify the relationships between individual categories of management and understand the nature and nature of organizational influence. This makes it possible to study various aspects of control from the standpoint of future management activities of specialists.

The task of management is the acquisition of knowledge, skills and abilities to carry out management activities and perform the main functions of management.

In terms of structure, the discipline covers individual Chapters that are functionally and logically related to each other.

The development and deepening of the tasks of the discipline outside the course of lectures should be sought in these additional literary sources.

Acquisition of competences:

Integral competence (IC): The ability to solve complex specialized tasks and practical problems in the management of organizations or in the learning process, which involves the application of certain theories and methods of the relevant science and is characterized by the complexity and uncertainty of conditions.

General competences (GC)

GC 3 Ability to abstract thinking, analysis, synthesis.

GC 4 Ability to apply knowledge in practical situations

GC 5 Knowledge and understanding of the subject area and understanding of professional activity.

GC 9. Ability to learn and master modern knowledge.

GC 10. Ability to conduct research at the appropriate level.

GC 11. Ability to adapt and act in a new situation.

GC 12. The ability to generate new ideas (creativity).

GC 13. Appreciation and respect for diversity and multiculturalism.

GC 14. Ability to work in an international context.

GC 15. Ability to act on the basis of ethical considerations (motives);

Special (professional) competences (SC):

SC 1. The ability to define and describe the characteristics of the organization.

SC 2. The ability to analyze the results of the organization's activities, to compare them with the factors of influence of the external and internal environment.

SC 3. The ability to determine the prospects for the organization's development.

SC 4. The ability to determine the functional areas of the organization and the connections between them.

SC 5. The ability to manage the organization and its divisions through the implementation of management functions.

SC 6. Ability act socially responsibly and consciously.

SC 7. Ability to choose and use

modern management tools.

SC 9. Ability to work in a team and establish interpersonal interaction when solving professional tasks.

SC 10. The ability to evaluate the performed work, ensure their quality and motivate the personnel of the organization.

SC 11. Ability to create and organize effective communications in the management process.

SC 12. Ability to analyze and structure organizational problems, form reasonable solutions.

SC 14. Understand the principles of psychology and use them in professional activities.

SC 15. Ability to form and demonstrate leadership qualities and behavioral skills.

SC 16. Ability to identify and analyze new market opportunities, including the international business environment, formulate new ideas, develop projects and organize business process management;

Program learning outcomes (PLO):

PLO 3. Demonstrate knowledge of theories, methods and functions of management, modern concepts of leadership.

PLO 4. Demonstrate skills in identifying problems and justifying management decisions.

PLO 8. Apply management methods to ensure the effectiveness of the organization.

PLO 12. Evaluate legal, social and economic consequences functioning organizations

PLO 17. Carry out research individually and/or in a group under the guidance of a leader.

PLO 18. Demonstrate ability detect prospects development enterprises, elaborate projects , organize management business processes on basis of analysis of market opportunities and international business environment.



# Chapter 1. Basic concepts, essence and types of management

## Lecture plan

1. The essence of management.
2. Goals, objectives and types of management.
3. Subject of management.
4. Features of enterprise management.



### 1. The essence of management and management.

With the transition of the Ukrainian economy to market relations, the phrase "organization management" began to be widely used as "organization management". Today, they are often used as identical, which is confirmed in the scientific works of foreign and domestic authors.

Every business needs to be managed. When it comes to "enterprise management", they mean the actions of its head, which aim to achieve a certain goal. Nowadays, the leaders of enterprises are increasingly called the word "*manager*", and their type of activity is *management*.

*The essence of the words "manager" and "management"* appeared when the owners of enterprises realized that it was profitable not to manage their own property themselves but to involve professionals specially selected and trained in such work, which was set as the *main task of the enterprise - to obtain high profits*.

Thus, management is an independent type of professional activity aimed at achieving specific goals through the rational use of material, financial and labour resources with the mandatory use of economic management methods.

*The fundamental Oxford English Dictionary gives the following interpretation of "management":*

- way, manner of treating people;
- power and the art of government;
- a special kind of skills and administrative skills;
- governing body, administrative unit.

P. Drucker, an American scientist, explains the term "management" and *argues* that it is of specifically American origin and can hardly be translated into any other language, including English. It means a function, as well as the people who perform it; it indicates a social or official position and, at the same time, represents an academic discipline, a branch of scientific study. As a rule, organizations that are not related to business do not talk about management and managers.

***Management is management in market conditions, which involves:***

- orientation of the enterprise (organization, firm) to the demand and requirements of the market, the requests of specific consumers and the organization of production of those types of products that are in order;
- striving to increase production efficiency and achieve optimal results at lower costs;

- economic independence, which provides freedom of decision-making to those persons who are responsible for the final results of the organization and their divisions;
- constant adjustment of goals and objectives depending on the state and requirements of the market;
- identification of the outcome of the organization's activities is determined in the market in the process of exchange;
- Use modern information base and computer technology for multivariate calculations when making optimal decisions.

However, "management" is not entirely analogous to "management". The term "management" is much broader and applies to various types of human activity (for example, driving a car), spheres of activity (management of animate and inanimate nature, state management), governing bodies (management units in various forms of ownership, enterprises and their associations).

*The term "management"* is applied only to managing socio-economic processes at the level of an organization (enterprise, firm) operating in market conditions.

Management as an independent type of professional activity assumes that the manager is independent of the ownership of the organization in which he works (may have shares or may operate under a contract). Management ensures the connection and unity of the production process and unites all specialists who work under the guidance of the manager.

The growing requirements for the management of agricultural organizations are due to the increase in their size (extensive agricultural holdings that cultivate a large number of areas), the complexity of innovation-intensive technologies for growing crops, the need to increase the competitiveness of products in connection with Ukraine's accession to the WTO.

Thus, "*management*" applies only to organizations that aim to achieve profit and operate in the market as independent economic entities (production organizations, banks, insurance institutions, travel agencies, and transport companies).

***The content of economic activity includes:***

- implementation of the results of research work;
- providing production with all the necessary resources for the performance of the technological process;
- development of new technologies and their improvement;
- ensuring the required level of product quality;
- carrying out commercial operations, placing goods on the market and making all types of settlements, maintenance;
- logistical and financial support;
- recruitment.

***Effective economic activity of the organization requires improvement of the*** style of work, which is based on the constant search for new opportunities, the ability to attract and use resources from various sources to solve problems. Changes in the content of the organization's economic activities are primarily associated with

changes like ownership and the emergence of individual and collective owners.

*The economic mechanism of management is* objectively determined by the market's requirements and depends on the results of the management and economic activities of the organization. It consists of three parts: intra-company management, production management, and personnel management.

*Management is the* preparation, adoption and implementation of decisions in all areas of the enterprise, aimed at achieving the primary goal. Therefore, the decision is the main product of management activities.

*Management* is the influence on the team, which is aimed at achieving the goal and the necessary interrelated activities; organization and regulation of the process with the help of feedback; management of people, development, adoption and implementation of decisions; the best allocation of resources and purposeful processing of information, etc. *All this, together in an inextricable connection and interaction, makes up management.*

*The content of the concept of "management»* can be considered as the science and practice of management, as the organization of company management and as a process of managerial decision-making.

## **2. Goals, objectives and types of management.**

*The main thing in management is to determine the goals of the organization's activities for the near and long term.* Management by

setting goals is carried out by taking into account the assessment of the capabilities of a particular organization and the provision of its resources. ***A distinction is made between general and specific goals.*** *General* goals reflect the concept of development of the organization as a whole, and *specific* ones are developed within the framework of general plans for the main activities. Rational use of material and labour resources involves achieving goals with a minimum of costs and maximum efficiency through qualified management decisions when a team of specialists purposefully acts towards achieving common goals on the basis of appropriate motivation.

***The goal of management is to ensure the profitable activity*** of the enterprise through the rational organization of the technological process, including the management of production and development of the technical and technological base, as well as the effective use of personnel while improving their skills and creative activity.

Profit creates stable guarantees for the organization since only its accumulation in the form of various funds allows you to limit and overcome various risks associated with the production and sale of products. The situation in different markets is constantly changing; there are changes in the position of competitors, conditions and forms of financing, the situation in the industry, region or country as a whole, in the states of trade in world markets. Hence there is constant risk, especially in agricultural production, is associated with soil and climatic conditions.

*The goal of management* is to *eliminate* risks or situations not only in the present, but also in the future, for which it is necessary to have reserve funds but also broad independence for rapid response and adaptation to possible changes.

*The goal of the enterprise* is a specific state of individual characteristics, the achievement of which is desirable and what its activities, as well as the management process, are aimed at.

*According to the degree of importance, goals are divided into strategic and tactical.*

*Strategic goals* are focused on solving promising large-scale problems that qualitatively change the life and face of the enterprise (access to international markets, complete renewal of the production base, change of marketable products, etc.).

Tactical goals are intermediate about strategic ones, reflecting individual achievement stages (for example, overhaul).

*The goals are divided into:*

*In terms of time, long-term (more than five years), medium-term (1-5 years) and short-term (up to 1 year).* A high level of detail and concretization of actions characterizes short-term goals.

*According to the content, the goals are divided into technological, economic, industrial, administrative, marketing, scientific and technical, and social.*

*Technological goals* may include introducing innovative technologies, improving farming and livestock systems, computerising,

constructing new production facilities using advanced technologies, etc.

*Economic goals* include strengthening the financial stability of enterprises, increasing profitability, and the market value of share capital.

*Production goals* include producing various types of products and services, improving their quality, increasing production efficiency, and reducing the cost of production.

*Administrative goals* aim to achieve high manageability of the enterprise, reliable interaction between employees, high discipline, and coherence in work.

*Marketing goals* are related to capturing specific markets, attracting new buyer's customers, achieving leadership in prices or production costs, and others.

*Scientific and technical goals* include creating new goods and services and introducing new innovative technologies into production, which ensure the production of world-class products.

*Social goals* are focused on creating favourable conditions for work, life and recreation of employees, improving their educational and qualification levels (elimination of hard and manual labour, social partnership relations, quality medical care, etc.).

*According to the level to which they belong, goals are divided into general and specific.*

*General goals* reflect the concepts of development of the enterprise as a whole and in the most critical complex areas of activity



(general purpose and four to six general organizational goals that reveal and specify its content).

*Specific goals* are developed in each unit and determine the main directions of their activities for implementing general goals.

Of course, they cover medium and short-term periods and are necessarily *expressed in quantitative indicators*.

Constant changes in the external and internal environment lead to adjustment and revision of goals. *The goals of an enterprise change significantly at different stages of its life cycle.*

***The task of management*** is to organize the production of goods and services, taking into account the demand of consumers on the basis of existing material, financial and human resources, ensuring the profitability of the enterprise, its stable position in the market.

***The main tasks of management include:***

- ensuring mechanization and automation of production and selection of highly qualified workers;
- stimulating employees by creating better working conditions and setting high wages;
- constant search and development of new markets;
- determination of specific goals for the development of the organization;
- identification of priority goals and the sequence of their achievement;
- development of a system of measures to solve existing problems;

- identification of the necessary resources and sources of their provision;
- elaboration of the organization's development strategy - economic tasks and ways to solve them;
- control over the implementation of tasks.

Management tasks become more complicated with an increase in the scale of production, which requires significantly increasing volumes of material, financial, labor and other resources.

*The main task of management* is to direct employees to joint actions by setting common tasks and the correct structure of the organization, fostering the necessary labor skills and values, ensuring the professional development of each employee for the most possible achievement of the goals of the organization.

To achieve this goal, various means are used: respect for authority and authority; ability to manage effectively; improvement of the management mechanism and structure; introduction of various management technologies; subordination in management activities.

*Depending on the field of activity, the following types of management are distinguished:*

*General management* is carried out by all managers responsible for setting tasks and forming policies, for issues related to planning, organizing, controlling and managing the enterprise.

*Operational management provides managerial activity of managers of the lower level of management (foremen, foremen), which consists in direct management of the work of employees,*

implementation of operational plans, production schedules and provision of services.

***Financial management*** includes management activities related to determining the need for financial resources, identifying all alternative sources of financing and evaluating them; practical obtaining of financial resources and their effective use.

***Strategic management includes the management activities of the*** management staff, which is related to the formation of the mission, goals and long-term strategies of the enterprise, the development of the image, which should correspond to the external environment and internal capabilities of the organization, the implementation of strategic choices through budgeting, selection of tasks, people, structures, technology, incentive systems, etc.

***Systematization of the main types of management:***

- by organizational and legal forms of management (state, entrepreneurial, public organizations);
- by levels of management (national, sectoral, regional, local self-government, interstate organizations);
- by purpose (strategic, tactical, operational);
- by belonging to the organization (internal, external economic);
- by functional purpose (marketing, production, financial, social, informational, personnel, accounting and control);

***Entrepreneurial management is divided into the following types:***

- by organizational and legal forms of management;

- by types of sectoral direction;
- by levels of management in organizations and associations.

Despite the different types of management, all of these types have in common the fact that all managers without exception need to deal with the same resources: human, financial, material, land.

### **3. Subject and management in management.**

*Management* is an independent science that has methodological foundations, its own subject and method.

Management is characterized by categories and scientific concepts that reflect the essence of only managerial work. These include:

- *the object of management* is people, equipment and technology, organization, etc.;
- *the subject of management* is a person or cybernetic equipment; organization - the field of activity of the manager;
- *management functions* - *planning, coordination, motivation and control*;
- and more.

In the course of research on managerial problems, scientists discovered and substantiated the objective laws of the life of organizations and the patterns characteristic of managerial work. Among them are the laws of proportionality and planning, administrative capacity, rhythm of work, specialization and integration

of management, necessary and sufficient centralization, democratization, the law of time, etc.

***In management, as in science, the relevant directions have been determined:***

- methodological foundations of scientific management;
- organizational and management structures;
- management functions;
- management process, personnel management;
- Strategic and Innovation Management;
- management of integration processes of the international economy.

Management as a management practice covers the entire process of production and exchange of products, includes the management of production, marketing, financial activities, personnel, accounting, as well as control and analysis of economic activity. These issues are the subject of management disciplines, are included in the curricula, which confirms the direct connection between theory and practice.

***The subject of management*** as a science of management covers the study of the laws and regularities of the life of organizations, organizational, managerial and interpersonal relations between workers in the production process.

***The object of management*** is individual labor collectives and entrepreneurs who act in the form of enterprises, unions, associations, companies, societies, etc.

The complexity of the phenomena studied in management involves the use of a dialectical approach, which allows us to consider management problems in their constant interconnection, movement and development. Thus, all phenomena are studied from the simple to the complex, from the lower to the highest, from the concrete to the abstract, from the old to the new. The basis of research in management is the activity of a person, whether it is a manager or a performer (specialist).

***The management method*** is a scientific means of purposeful influence on human behavior in an organization or on the workforce in order to achieve the set goals.

Thus, *the complexity of the employee's behavior in the team involves the use of various methods, the basis of which is specific historical, planning, optimization, structural-functional, system analysis and experimental, as well as special methods of social psychology, induction, deduction, analysis and synthesis, comparison, reasoning, intuition. an experiment that warns the management against large-scale mistakes and miscalculations, which can be repeatedly observed even at the state level (hasty reform and privatization of enterprises, rash testing of school graduates, etc.).*

These methods are used not only in management, they are characteristic of economic theory, which, forming the worldview of managers and specialists in the production process, acts as a methodological basis for management.

#### **4. Features of enterprise management.**

One of the main, strategic sectors of the economy is the agro-industrial complex, which is directly and indirectly related to all industries. For example, agricultural production has a number of specific features that significantly affect the formation of the management system.

*Land in the industry* is not only an object of labor, as in other branches of material production, but also its subject, as well as the main means that determines the territorial dispersion of production, settlements, the construction of management bodies mainly on the territorial-production principle. Territorial dispersion of production and remoteness of structural subdivisions from central estates, poor road conditions become an obstacle to the collection and processing of information, which leads to a delay in making operational decisions. These circumstances require the expansion of the boundaries of independence of both the enterprises themselves and internal economic units, especially in operational and economic activities.

*Economic reproduction* is intertwined with natural reproduction, which makes it *dependent on soil and climatic conditions*, which are different in the zones of the country. This determines the high level of *independence of local authorities in regulating production, establishing terms, methods and techniques for performing various agricultural works*.

The difference in the forms of ownership has an impact on the formation of the management system in the industries and the relationship of the supreme governing bodies with other industries and organizations.

*The seasonality* of production, *various fluctuations in the use of material, labor, financial and other resources during the year require the management system to find ways to equalize them.* As a result, there is an excessive strain on the work of managers and specialists in certain periods of agricultural work, a significant increase in the duration of their working day.

Some influence on the organization of management is also exerted by the peculiarity of *production technology associated with living organisms - plants, animals, microorganisms, which sets special requirements for the storage, transportation and sale of products.* This implies a strict order of coordination of the work and operations performed, regardless of the departmental affiliation of enterprises and organizations.

*There are other features that determine the specifics in the organization of management of the agro-industrial complex: the difference between the city and the village, the stability of the traditions and customs of the rural population, the influence of households on the economic condition of workers, etc.*

*Taking into account the peculiarities of agriculture as a branch of social production is mandatory, because they largely determine the*



*efficiency of the entire system of agricultural production management from the bottom up.*

Nowadays, the market economy puts forward a number of requirements for the management of enterprises.

***1. The need to improve the work of the management apparatus.***

With the development of market relations, the number of managers increases significantly in comparison with other categories of production personnel. The experience of developed countries confirms that with mechanization and automation of management, the growth rate of employees not only does not decrease, but, on the contrary, increases.

There is a lot of technical work in management that does not require high qualifications. If the number of such employees is reduced, their functions will be forced to be performed by highly qualified specialists, which is economically inexpedient.

***2. Intensification requires an increase in the speed of response to changes in the state of the enterprise,*** which requires an increase in the efficiency of the management apparatus. The speed of decision-making should correspond to the pace of production processes.

***3. Improving the complexity of management.*** It is necessary to take into account not only the direct, but also the side consequences of the decisions made, because in a market economy there is an increase in the interdependence and interconnections of the economic system.

***4. Full economic independence of enterprises.*** This allows you to best take into account the specific conditions and specifics of

production when making decisions, quickly solve problems and quickly maneuver resources. The process of increasing independence at the grassroots levels of management requires advanced training of mid-level specialists.

**5. Strengthening the role of state regulation of the market** and economic strategy to achieve the main socio-economic goals.

*Long-term practice shows that the **efficiency** of the national economy is only one-third determined by investments in the material and material elements of production. The rest depends on the human factor – **intellectual potential, qualification level and abilities of managers and specialists.***

*Depending on how many components (areas) of the organization the manager manages, there are three levels of management: **higher, middle, lower.***

*At the top level is a small group of key leaders of the **organization.** These are the President (Director), Vice Presidents (Deputies), and the Chief Executive Officer. At the top level of management, the mission is formulated and organizational goals are set, the overall corporate strategy and the main tasks for its implementation are determined, decisions are made on entering new markets, launching new products, attracting investment, research and development, etc.*

*Middle management is responsible for the development and implementation of operational plans and procedures for the implementation of those decisions **that have been made by the top management of the organization.** Middle-level managers have a fairly*

wide freedom of action to implement plans. For example, they independently determine: how many new workers need to be hired; what new equipment to buy; how to use the media for advertising, etc.

This stratum includes managers-executives

production and functional divisions of the organization.

*Lower-level managers coordinate the* activities of operational executives. This category, in particular, includes heads of sectors, groups, foremen, foremen, etc.

*The top managers of the organization work out the strategy, the middle ones develop plans for its implementation, and the lower ones are responsible for the specific work that is carried out in accordance with these plans.*

General requirements for *a supervisor (manager)* are contained in labor legislation, internal regulations and other documents, and *special requirements are set out in qualification directories, service instructions and some other regulations.* But these requirements must be specified in relation to a certain position and the conditions in which the manager will have to work. *Professor I.S. Zavadsky offers an appropriate model of a modern manager, which defines the requirements for the personal and business qualities of the leader, his knowledge, taking into account the functions that are performed and the tasks to be solved.*

*An important trait for a leader is tactfulness in relations with senior managers, colleagues and, most importantly, with subordinates. The leader must constantly demonstrate emotional restraint, politeness,*

*and boundless tolerance.* Under no circumstances can the manager adequately respond to the rudeness of subordinates and other tactless actions.

The manager should have a developed communicative ability, which is manifested in the establishment of favorable relationships between workers, which ensures successful collective activity and finding a place in it for each participant in the labor process. If the communicative abilities of an individual coincide with the ability to lead, then this is a prerequisite for the formation of a successful manager.

*The condition for the effective activity of a leader is a well-developed strategic thinking, the ability to look many years ahead.* Constant improvement only in the present leads to a loss of perspective, noticeably devalues the work of any leader. A manager who looks ahead intently can *develop an enterprise in the modern economy*, focusing on changes in the external environment, market conditions, and government policy.

*Since the official activity of the manager always has an educational orientation, he should be characterized by certain pedagogical qualities: the ability to train subordinates, to develop the necessary professional skills in them; to organize general cultural, aesthetic and physical education of young workers; clearly and logically formulate orders, argue their views.*

*Successful leaders are characterized by such traits as common sense and a certain wisdom. The American Scientist R. Ackoff argues*

*that* wisdom is the ability to foresee the individual consequences of the operations carried out, the willingness to sacrifice immediate benefits for the sake of great benefits in the future. According to the scientist, wisdom is always turned to the future, but it does not relate to the future as a fortune-teller who only makes an attempt to predict it. A Wise Man Tries Manage the future.

*An obligatory feature of the current leader is his humanism – a developed sense of justice, humanity, respect for people and their dignity, care for the well-being of people, constant implementation of measures aimed at increasing satisfaction with the work of all subordinates.*

*The views of the American psychoanalyst Macoobi, which are based on the emergence of a new "social type" of the leader, who is characterized by skillfully controlled aggressiveness, flexibility, composure in great tension, and most importantly – the ability to evaluate everything in the world of competition and always strive to be a winner. In the practice of foreign firms, it is considered normal for managers to have such qualities as increased ambition, the desire to implement their careerist plans.*

It should be noted that the importance of moral traits and reputation of candidates for a responsible position increases markedly in the context of the growth of corruption and the development of the shadow economy in society.

*For the analysis and assessment of personality, the psychogeometric method developed by Susan Dellinger, a specialist in*

social and psychological training of managers, is used (the accuracy of diagnostics reaches 85%), the method of *performance assessment* based on the use of the questionnaire of the American psychologist *Otto Lipman, the method of generalization of independent characteristics, developed by K.K. Platonov.*

*A modern manager must have a wide range of business qualities: high* erudition and professional competence, inclination to leadership in a team, entrepreneurship and the ability to act effectively in conditions of economic risk, practical mind and common sense, sociability, enterprise, initiative and energy, exactingness and discipline, high efficiency and will, purposefulness, etc. First of all, efficiency is manifested in the ability to find (within the competence of the provided (i.e. powers and available means) the optimal approach to situations that arise and achieve the goal in the shortest way.

*The manager must demonstrate independence in work* and provide sufficient autonomy to subordinates, create conditions for them to successfully perform their duties without interference from above.

Initiative in work is closely related to independence. Indeed, independence is legitimate only if the leader solves urgent issues without instructions and advice from above, does not wait for an improvement in the overall economic situation in the country, but zealously looks for non-traditional means of solving constantly arising problems.

A modern manager must have fundamental knowledge of macro- and microeconomics, scientific management, management and

leadership theory, sociology, psychology and law, information technology and computer technology.

***Good theoretical training and practical experience is a prerequisite for the manager to have:***

- the art of leadership, skills of working with people;
- political culture;
- a comprehensive systematic approach to work;
- ability to generate ideas, transform them into practical action;
- creative imagination, modern economic thinking;
- computer literacy;
- the right way of life, work, culture of communication;
- foreign languages, primarily English.

In the process of professional activity and constant self-improvement, the manager develops managerial skills.

***An effective manager should be able to:***

- think big, solve strategic problems;
- diagnose the organizational system, interpret the situation and draw the right conclusions;
- promptly make and implement non-standard solutions;
- work with people and motivate them to highly productive work, lead the led team;
- rationally organize their work and the work of their subordinates, ensure high labor discipline;
- objectively select, evaluate, arrange personnel;

- to ensure self-organization of the workforce, to create a favorable psychological microclimate;
- navigate in people, understand their characters, abilities and psychological state;
- establish business relationships with other managers;
- control yourself in any situation;
- be able to conduct a conversation, be eloquent, expressive, persuasive, reasoned to negotiate, have a sense of humor.

The listed basic requirements for the manager's skills are transformed knowledge that is embodied in the implementation of specific management operations: properly plan work, analyze the situation, hold a meeting, issue orders, etc.

*In practice, the effectiveness of managerial activity depends, on the one hand, on the experience and quality of the manager, and on the other hand, on his abilities. The famous psychologist S.L. Rubinstein argued that in the process of implementing some abilities, knowledge, skills and abilities are acquired.* Therefore, developed abilities are a mandatory feature of a modern manager. Abilities are individual psychological characteristics of an individual, his potential, which is a condition for the successful completion of tasks.



## Chapter 2. Development of the theory of management practice

### Lecture plan

1. The history of management development that preceded the classical theory.
2. Scientific Schools of Management.
3. Modern trends in management development.
4. Origins and sources of study of managerial thought in Ukraine.



### **1. The history of management development that preceded the classical theory.**

The history of managerial thought goes back many thousands of years. Statements on the problems of government can be found in the Sumerian state (III millennium BC), in Mesopotamia and ancient China. But it is by no means possible to associate them with management, because these were mainly recommendations for public administration, rules for conducting trade operations, commercial activities, and relationships between people.

*One of the first to characterize management as a special field of activity was Socrates (470-399 BC).* He analyzed the different forms of management, emphasizing the importance of the division and specialization of labor, emphasizing that the cause of the poverty of a society is usually the lack of qualified leadership.

*The studies of Plato (428-348 B.C.) were devoted to a deep analysis of the division of labor, the disclosure of the essence of*

**management and** control. He substantiated the classification of forms of government, made an attempt to delimit the functions of governing bodies, and believed that management should be based on laws.

*Aristotle (384-322 BC) described the existing state system in almost 300 countries, distinguishing two economic systems: economy and chrematistics.* He laid the foundations of the doctrine of the need for slaveholders to communicate with slaves and manage them, and also substantiated the moral principles of economic management.

The origin of the scientific ideas of management can be found in the works of *Niccollo Machiavelli (1469-1527), who set forth ideas regarding the timeliness of managerial decision-making.* He made an attempt to formulate recommendations for the organization of state governance, to substantiate the norms of behavior of leaders (generosity, thrift, cruelty, mercy), the ability to keep one's word, get rid of hatred and contempt, etc. Machiavelli believed that any means were justified to strengthen the state. Therefore, the term "Machiavellianism" began to be used to characterize policies that disregard moral norms.

Despite the fact that organizations have existed since the beginning of the world, until the twentieth century, few people thought about how to manage them systematically. People wanted to make more money, to gain political power. The *reflex search for theoretical approaches to management began in the era of the formation of capitalism, and the style in this search was determined by philosophers. The English philosophers Thomas Hobbes and James Stewart argued*

that the main motivation for human behavior is the desire for power, and *Bentham, in his book Introduction to the Principles of Morals and Legislation, emphasized that the motives of human behavior are utility and pleasure.*

*Adam Smith formulated the principle of "economic man", the main goal of which is the desire to enrich and satisfy one's own needs. The study of the problem of motivation for action was continued at the beginning of the 19th century by the English economist James Mill.*

*The Industrial Revolution of the late 18th and early 19th centuries led to the introduction of applied scientific developments and experiments, the results of which helped to determine the norms of production of workers, the optimal speed of equipment, the volume of output, to improve the organization of production and labor. The concept of control and remuneration of labor was created by Adam Smith, and his compatriot Arkwright combined all the processes of textile production in his factory and introduced a hierarchical principle of its organization. On the basis of the division of labor, planning, placement of equipment, coordination of the work of machines and personnel, ensuring labor discipline, he managed to achieve the continuity of the technological process. As a result, this made it possible to significantly reduce production costs and achieve advantages with competitors. At the same time, Arkwright introduced penalties for various violations, which were recorded in a special book and led to deductions from wages.*

A large-scale social experiment in the field of management was conducted *in 1800-1828 by the English entrepreneur and scientist **Robert Owen**. The essence of the experiment was to provide workers with decent housing, improve working and living conditions, and create a network of stores that sold essential goods at an affordable price.* In the factories run by Owen, the minimum age of workers was raised, the working hours were shortened, and schools were established in workers' settlements. These reforms were groundbreaking in their time and constituted the essence of the leader's role. But this idea was so far ahead of its time that it was refuted by that society.

*An important step in the development of the theory and practice of control was made by the inventor of the first computing machine, **Charles Babbage**. He developed a methodology for studying the cost of working time in the implementation of various operations, substantiated ways to increase labor productivity based on the study of statistical data, and also introduced a bonus system of remuneration. He presented the results of his research and practical recommendations in the book "On the Economics of Materials and Equipment", which became the first publication in the field of scientific management.*

Almost all forms of modern governance were present in antiquity, but their nature and structure were different from those of today. For example, there were significantly fewer middle and senior managers, the relationship between the manager and subordinates was different. Very often, the leadership was carried out by one person. There are examples of organizations where the management system has not

changed. An example is the Roman Catholic Church, whose structure is as follows: Pope, Cardinal, Archbishop, Episcopo, Priest. This structure is still successfully functioning, despite the fact that it was founded at the beginning of Christianity. Modern military organizations are in many ways similar to the military organizations of ancient Rome.

*In the period of its development, the science of management was constantly in search. New directions, schools, trends were formed, the scientific apparatus changed and improved, the researchers themselves and their views changed, which is a valuable lesson for modern managers.*

## **2. Scientific Schools of Management**

In the twentieth century, great changes took place in production. Its scale and concentration increased significantly, a large number of workers, employees and engineering and technical workers worked at the enterprises, complex equipment and technologies were introduced, which were based on the achievements of scientific and technical thought of that time. Accordingly, the composition of the workers also changed: these were already sufficiently educated people who were formed as individuals and understood their role and capabilities.

Under these conditions, fundamental changes in production management were necessary. The management system, which was based mainly on empirical data, did not meet the requirements of the time: there was no scientific knowledge about the regularities of the

organization of production processes; optimal sequence of operations and operating modes of equipment; technical standards; personal capabilities of the workers, but the workers themselves were also not sufficiently prepared. The immediate impetus for the development and formation of scientific management, which would meet the requirements of that time, was mass experiments at industrial enterprises. *In the process of evolution, several scientific schools of management were formed, which developed management concepts*

*I. The concept of scientific management was developed in the United States at the beginning of the 20th century. its founder was the American research engineer F. Taylor (1856-1915), whose book "Principles of Scientific Management" (1911) is recognized as the beginning of the science of management and an independent field of research*

*Taylor considered management to be a real science based on laws, rules, and principles. He made the important conclusion that management work is a certain specialty. The organization benefits as a whole if each group of workers focuses on what it does best. Taylor developed a system of scientific organization of work, which is built on five basic principles:*

*Scientific recruitment.* Efficient production requires the selection of a suitable worker for each workplace who has the necessary abilities for this, which are verified by a system of tests.

*Scientific study of labor and training of workers.* The study of the expenditure of time, movements, and effort should be developed in order to achieve maximum labor productivity.

*Specialization of the work.* Production must be divided into component parts, which contributes to the improvement of the skills of all workers.

*The importance of motivating motives (wages).*

*Correct distribution of responsibilities between workers and managers.*

*Taylor's followers were his compatriots Frank Gilbert (1868-1925) and Lillian Gilbert (1878-1972), who studied the problems associated with the performance of physical work in the production process, the relationship between scientific management and the data of sociological and psychological research.*

*The American engineer H. Emerson (1853-1931) developed principles for increasing the efficiency* not only of productive labor but also of expedient activity in public administration, foreign policy, military affairs, and transport. He worked out the staff organization of the management apparatus, revealed the role of the correct organization of labor and scientific principles of management, among which he singled out precisely set goals and the principle of common sense.

*The authors of the concept of scientific management devoted their research mainly to the problems of production management and increasing its efficiency. It was introduced that the methods used in*

*science and technology can be effectively used in the practice of organizations.*

*The methodological basis of this school was the traditional approach to organization, which includes independent, isolated elements, but they are subject to general laws.* The manager's task was to study these patterns and, accordingly, to direct each area of the organization's activities without communication with others, which effectively meant ignoring the need for holistic management.

*The School of Scientific Management did not answer the question of the effectiveness of the management of the organization as a whole. The main emphasis was placed on the individual efficiency of each employee to the detriment of collective work.* The concept of the scientific approach did not reveal effective methods of labor stimulation and was designed for the use of disciplined workers

*The main conclusion: the school of scientific management proved the need for labor* management in order to increase its productivity, formulated the principles and methods of scientific organization of labor and substantiated the need for effective motivation of hired labor, defining it as the most important of all management tasks.

*II. The concept of administrative management is aimed at the development of problems and principles of management of the organization as a whole. According to this concept, at the beginning of the 20th century, the concept of the organizational structure of the company as a system of relationships with a certain hierarchy was*



*formulated*. At the same time, the organization is considered as a closed system, the improvement of the functioning of which is ensured by the intra-company rationalization of activities without taking into account the influence of the external environment. The concept of the fact that the organization can be managed in a systematic way to achieve the goal more effectively. *This concept was called the classical theory of management, the author of which was the French scientist Henri Fayol (1841-1925).*

*Fayol adhered to rationalist views, and he chose the organization as a whole, but not individual areas of its activity, as the object of his research. Fayol reduced the functioning of various organizations to the following main activities: technical, commercial, financial, accounting, administrative, protection of personal life and human property. Each of these activities required management and implementation of the functions of planning, organizing, coordinating, controlling, and motivating. Fayol formulated the regularities of the functioning of the organization in the scientific work "General and Industrial Production", defining 14 principles of administrative management, which became the scientific basis for the division of labor in management systems and the construction of organizational management structures:*

*1. Division of labor.* Productivity is increased by simplifying the tasks that are solved by each worker, which can significantly increase output. In this way, the production process must be divided into small parts that can be managed.

**2. Power and responsibility.** *Power is a* force that compels obedience. Power does not exist without responsibility, that is, without sanctions – reward or punishment. Wherever power operates, responsibility arises.

**3. Discipline.** *The essence of discipline* is contained in the implementation of organizational rules and instructions. The state of discipline in teams fully depends on the effectiveness of the actions of managers.

**4. Unity of command.** Only one boss can give instructions to a worker regarding an action.

**5. Unity of leadership.** The actions of the leader and the program of activities of the team should have the same goal.

**6. Subordination of private interests to general ones.** The interests of employees or a separate unit should not be higher than the interests of the entire team.

**7. Remuneration.** The remuneration of the performers of the work should be fair and, if possible, satisfy the staff of the organization, the entrepreneur and the employee.

**8. Degree of centralization.** Centralization can be accepted or rejected depending on the conditions prevailing in the state or organization. The question boils down to finding the degree of centralization that is most favorable for the enterprise.

**9. Hierarchy of leadership.** The hierarchy represents a series of leadership positions from the lowest to the highest level.

**10. Procedure.** The procedure determines a designated place for each person at his or her workplace.

**11. Fairness.** Justice is the result of the combination of benevolence and justice.

**12. Staff stability.** Employee turnover is both a cause and a consequence of bad things in the team. The organization should strive to reach long-term agreements with employees and managers.

**13. The initiative of the administrative staff** is the opportunity for the staff to create and implement the set goal, as well as the proposal and implementation of the expressed goal.

**14. Unity of staff.** Joint efforts are aimed at achieving a common goal. It is a grave mistake to disconnect the intellectual potential of an organization.

*The followers of Fayol's ideas were G. Emerson, who formulated 12 principles of productivity. Close to him were Henry Ford's views on the problems of management organization.*

*The problems of effective administration were studied by C. Bernard (1886-1961), who considered organizations as cooperative systems of consciously coordinated actions. Every organizational system must have three common elements for the purpose of operating: communication, willingness to act, and a single goal. C. Bernard developed a theory of authority, in which he proved that authority depends not so much on authoritative persons who give orders, but on the readiness of subordinates to carry out an order.*

*The logical conclusion of the administrative school of management was the concept of "rational bureaucracy" by the German scientist Max Weber (1864-1920), which has the following main characteristics: deep division of labor according to the functional principle; clear hierarchical structure; a system of rules and regulations, formal procedures that determine the rights and obligations of employees, their behavior in specific situations; selection of personnel on formal grounds on a competitive basis with subsequent promotion to depending on the state of work and the results achieved.*

*This approach could be successfully applied to some extent at that time in some large enterprises and government agencies, but in the market system it became unsuitable, since it constrained the freedom of action of subordinates and did not allow them to fully realize their capabilities.*

*The model proposed by the administrative school was detached from real management, because it did not take into account the problems of the human factor.* An attempt was made to increase the efficiency of the organization bypassing the person, by performing administrative procedures developed on the basis of scientific principles of management. The main drawback of the administrative approach is that the status of the employee and his remuneration depended not on the results of work, but on the position held

*The main conclusion is that the administrative school, determining the importance of the human factor, did not set itself the goal of solving the problem of effective labor motivation, which*

prevented the organization from achieving maximum production efficiency.

***III. The concept of management from the standpoint of human relations and behavioral sciences first defined management as "ensuring that work is done with the help of others."***

*In the context of intensification of production, the problems of scientific administrative approaches to management began to be revealed. There is a need to search for new effective forms of management, and this search has acquired a social and psychological character.*

***The School of Human Relations sought to complement depersonalized relationships built on the concept of scientific management and administrative management.*** In the second half of the last century, this theory of psychology and human relations was called the behaviorist approach, which successfully uses psychology, pedagogy, sociology, anthropology, etc., in management.

***A significant contribution to the development of this management theory was made by***

***Mary P. Follitt (1868-1963), who proved that the human being is motivated in his activities by several factors.*** A manager must take into account and understand these factors, directing people's efforts to solve specific problems. M. Follitt defined management as the art of implementing plans with the direct participation of employees in the organization, she also studied the problems of democracy, leadership, etc.

*In the 1930s, Professor E. Mayo, F. Roethlisberger and their colleagues conducted an* experiment at an industrial enterprise and worked out the theory of human relations in practice. The conducted experiments confirmed that the motives of the labor behavior of workers are the opinion of their colleagues about them, relations with the immediate supervisor, the opinion of employees about their enterprise, and not only about material incentives.

*In the studies of E. Mayo, M. Follitt and other scientists of that time, the philosophy of human relations was formulated.* Management began to attach much greater importance to the psychological motives of people's behavior in the production process, the problems of group relations and norms, conflicts and cooperation, communications, and informal groups.

Mayo's writings highlighted the problems of industrial conflict and argued that finding ways to eliminate it was one of the main tasks of management. He also emphasized the acuteness of the conflict between the formal structure of the organization and its informal groups, emphasizing that informal relations should not be allowed to influence themselves, they must be managed on the basis of cooperation between workers and management. As a result of the research, many recommendations were developed for administrative employees on how to manage subordinates, how to increase their productivity, etc.

Studies carried out by the American psychologist *Abraham Maslow (1908-1970)* showed that the motives of people's actions are not economic factors, as the proponents of scientific management

believed, but various needs that cannot always be encouraged by money. It was said that the productivity of workers can increase not so much due to an increase in wages, but due to changes in the relationship between workers and managers, an increase in satisfaction with their work and the microclimate in the team.

Thus, the basis for increasing labor productivity, according to Maslow's research, is the techniques of managing interpersonal relations to increase the degree of satisfaction of employees with the results of their work.

The School of Human Relations focused its attention on the complexity of the problem of the human factor in achieving the effectiveness of the organization, but did not provide a solution to this problem. The development of the school of behavioral sciences began, which set itself the goal of increasing the efficiency of the organization in practice by increasing the efficiency of its human resources. As a result of the research, an important conclusion was substantiated that in order to achieve the effectiveness of management of an organization, which is a group of people, it is necessary to learn how to effectively manage their behavior.

*Douglas MacGregor (1906-1964), a prominent representative of the school of behavioral sciences, was the first to attempt to classify people's ideas about human nature, demonstrating two extreme views on this. His concept is based on two theories "X" and "Y". The position of theory "X" presents workers as inherently lazy, irresponsible, demanding direct control and unable to work without coercion. Theory*

Y, on the other hand, presents employees as hard-working, responsible, eager for approval and support.

*In fact, MacGregor's concept revealed the nature of the emergence of two leadership styles: autocratic and democratic, which can take place in the management structure of one organization. This underlines that arbitrariness in governance is an urgent problem.*

Thus, the School of *Human Relations and the School of Behavioral Sciences have had a significant impact on the development of management thought, focusing on the importance of the human factor in achieving effective organizational performance.* Both schools have proven that wages are not the only incentive for an employee to work productively. Their efforts were aimed at creating an effective model of work incentives that encourages people to work selflessly for the organization.

*The disadvantage of both schools was their inability to be a counterweight to bureaucratic management, which is essentially highly rationalistic. Despite the comprehensive validity of the problem of ineffective management of people, schools have not provided a radical solution to it. In their attempts to solve the problem, they relied on informal procedures and rules, the use of which in the organization depended on a purely subjective factor. Representatives of both schools were unable to adequately describe the diversity management situations and in most cases their proposals to influence people in different situations turned out to be untenable.*



*The main conclusion is that the schools of human relations and behavioral sciences have made an attempt to comprehensively analyze the problem of human relations in production and eliminate the conflict between the employee and the entrepreneur, creating the prerequisites for cooperation and cooperation between them.* Unfortunately, this attempt was not successful, because the task of labor motivation was too difficult. Thus, the listed management concepts are aimed at improving the strategy of individual organizations and enterprises to achieve profits.

Modern foreign science of management is represented by various trends, schools, directions, concepts, which are almost incompatible with each other. But all currents, concepts, views are united by the desire to combine scientific research on organizational and technical problems of management of individual enterprises with the solution of specific problems of the market system of management: achieving stability of economic development, overcoming socio-economic conflicts. Hence the desire to increase the practical significance of theoretical research in the field of management, to reorient the theory of management to the practice of management activities in the field of developing principles that make it possible to solve organizational problems. Of great importance in the theory of management in our time are the problems of interaction with the external environment and taking into account its changes in the activities of individual enterprises.

*IV. The concept of adaptation consists in the fact that in real economic activity the strategy of an enterprise is always a combination*

of the most purposeful actions, taking into account environmental factors. That is, it is a strategy of maneuvering in the distribution and redistribution of production and goods between enterprises located in different countries, depending on the level of production costs, the cost of labor, the rate of economic growth, and the political stability of the country.

**V. *The concept of global strategy*** is aimed at optimizing the activities of the enterprise. It focuses on the need to develop a single strategy aimed at optimizing the activities of the entire holding company, and not its individual parts.

**VI. *The concept of goal orientation*** is based on the dominance of the role of goal-setting in the processes of planning, organization, control and motivation.

At the heart of management as a concept of management is an objective tendency towards the socialization of production, as a result of which large enterprises have the opportunity to influence the market, dividing it, to influence the nature and mechanism of economic relations that regulate the relations between the market and the producer. Management according to this concept is aimed at improving the organization of management of individual enterprises.

Attaching great importance to the regulation of market relations, management theorists place special emphasis on the need to adapt the enterprise to the requirements of the market for each specific product. Therefore, the organizational and technical aspect of the concept is aimed at "product planning", which covers a system of measures to

study the market for a particular product, draw up programs and forecasts, develop and introduce a new product, activate demand and obtain high profits from sales. Thus, the concept of management in market conditions not only theoretically substantiates the need for its regulation in modern conditions, but is a source of practical recommendations for the development of new forms and methods of organizing the economic activity of enterprises.

### **3. Modern trends in management development**

The modern system of views on management was formed under the influence of objective changes in world social development. There is a recognition of the social responsibility of management and business both to society and to the people working in the organization. *In managing the economy, it is necessary to take into account the following global trends:*

1. *significant growth of the world's population*, and irrational use of natural resources leads to the destruction of the environment, ecosystems, loss of biological diversity and genetic resources;

2. *An increase in the use of natural resources and their inefficient and irrational use* leads to the fact that their renewal (water, air, forest, etc.) does not have time to recover;

3. *Irrational use of resources is accompanied by pollution of the atmosphere, water and soil with compounds* that decompose over time, and the most complex and dangerous problem is climate change.

Since the second half of the 20th century, industrially developed countries have begun the transition to post-industrial development, which is characterized by fundamentally new features and patterns. The main changes are: scientific and technological progress, as well as the concentration of scientific and industrial potential. Subsequently, the world economy was restructured, in which industries that met the needs of the population, as well as based on advanced technologies, began to play a significant role. Production was mainly focused not on meeting mass needs, but on specialized consumer demands. This has led to a significant increase in business structures, the creation of a large number of small and medium-sized enterprises, the complication of the system of relations between organizations, and an increase in the importance of such criteria for business life as flexibility, dynamism and adaptability to the requirements of the external environment.

*At the end of the twentieth century, the main attention was focused on the social aspect of management: management was aimed at people in order to encourage them to act together, to make their efforts more effective.* Orientation to new conditions for the development of social production is reflected in the principles of management, which show the growing role of a person, his professionalism, personal qualities, as well as the entire system of relationships of employees in the organization. Among the most important principles that are recommended to managers are: friendly attitude towards all employees; responsibility for the successful operation of the organization; effective use of communications

(horizontal and vertical), both within the organization and and beyond; creating an atmosphere of openness, honesty and trust; promoting the professional growth of subordinates; striving for continuous improvement of personal work and activities of the organization.

*The result of the development of various schools and approaches was the formation of management models, the main of which are: European, American and Japanese, Swedish.*

*The European management model* has the following main components:

**The main task** is to ensure the effective functioning of market mechanisms as the basis of the country's economic system and the well-being of its citizens, and competitive relations contribute to economic progress and increase labor productivity;

support for the manufacturer and the development of production is carried out by reducing taxes and fees by the state, and the main income should remain with the entrepreneur who personally cares about the development of his business and his family, and the functions of social charity and state distribution of benefits and subsidies should be limited;

the state economic strategy is socially oriented and performs the function of social equalization, because a large difference in incomes can cause a number of social and political problems in the country;

The size of social benefits with the growth of social welfare should be reduced, each person should ensure his future in the role of active

labor activity, accumulating funds and using the pension insurance system.

*The Swedish model of governance is* aimed at creating a system of social protection of the population, which guarantees equal opportunities for improving the well-being of both able-bodied and disabled people. To achieve this goal, a system of such state measures is provided.

- ✓ providing material assistance to the poor by withdrawing benefits from the rich;
- ✓ providing conditions for high earnings that do not contradict the law;
- ✓ creation of a favorable social and psychological climate both in society and in labor collectives;
- ✓ ensuring stability in public life;
- ✓ protection of civil and political liberties;
- ✓ protection from political persecution and arbitrariness of the administration;
- ✓ creation of a favorable social and psychological climate both in society as a whole and in individual teams.

*The American model of governance* has the following characteristic features:

- ✓ orientation of personnel policy to narrow specialization, individual skills and initiative, selection of specialists in the labor market is carried out through a network of universities and business schools;

- ✓ clear formalization of the management structure;
- ✓ dependence of remuneration on individual results, merits of the worker, productivity of his work;
- ✓ individual responsibility of the manager; focus on narrow specialists; Self-financing.

*The Japanese model of management* in terms of basic approaches differs significantly from the American one and provides for the following measures:

- ✓ for the lifetime employment of managerial personnel, on-the-job training and education at the company, the widespread use of the labor of graduates of schools and universities;
- ✓ flexible informal approach to building a management structure;
- ✓ collegial responsibility for the decisions made;
- ✓ dependence of remuneration on age, length of service, performance of the group;
- ✓ orientation to managers of a universal type;
- ✓ wide attraction of borrowed funds.

*The Ukrainian management model* has the following characteristic features:

- ✓ orientation of many experienced management personnel to the command system, which suppresses the initiative of subordinates, which prevents enterprises and organizations from adapting to new economic conditions;

- ✓ the predominance of vertical, formal ties and relationships in organizations;
- ✓ underestimating horizontal connections and relationships; poor consideration of current trends in the development of enterprises and the use of new types of market-oriented organizations;
- ✓ insufficient desire of a significant part of managers to delegate authority and responsibility to their deputies, attempts to do everything themselves and personally control;
- ✓ weak involvement of employees in the management of enterprises and their divisions, which largely does not take into account the knowledge and experience of employees;
- ✓ complete copying of Western methods of enterprise management, ignoring domestic experience;
- ✓ lack of flexibility in rapid response to changes in external and internal factors that affect the activities of the enterprise;
- ✓ insufficient knowledge of legislative and regulatory acts by management personnel;
- ✓ ignoring the norms of business ethics, as well as violation of elementary ethical rules by entrepreneurs in the implementation of business operations;
- ✓ lack of fundamental knowledge of production technology, economics and management as a science of management among many entrepreneurs;



- ✓ The basic principle of many managers is the desire to earn more and at any cost today, which leads to the emergence of one-day firms;
- ✓ dependence of remuneration of employees on relationships with managers, and not on qualifications and results of work;
- ✓ Inattention to employees and ignorance of management ethics, arbitrariness, deception and rudeness, have become the norm of behavior of individual managers, especially in private enterprises;
- ✓ insufficient level of mechanization, automation and computerization of management activities, although there is some progress in this.

We can draw a general conclusion that **Ukrainian management model is still being formed.**

#### **4. Origins and Sources of Study of Managerial Thought in Ukraine**

Managerial thought in Ukraine has a longer history than is believed. The ancient settlements of the ethnic territories of today's Ukraine already had certain ideas of governance. For a long time, as with other peoples of the world, they existed at the level of practice, and over time, at the level of art, that is, the established rules, guidelines for conducting the economy. *In the context of the development of ancient culture, one can distinguish the philosophical, economic, managerial views of the Scythian thinker **Anacharsis**.* But due to the lack of written

evidence of that time, the managerial views of the ancient settlement of Ukraine have not yet become the subject of special fundamental research. The ancient settlements of the ethnic territories of today's Ukraine already had certain ideas of governance. For a long time, as with other peoples of the world, they existed at the level of practice, and over time – at the level of art, that is, the established rules, guidelines for conducting the economy. In the context of the development of ancient culture, one can distinguish the philosophical, economic, managerial views of the Scythian thinker Anacharsis. But for lack of written evidence at the time, managerial views of the ancient settlement of Ukraine have not yet become the subject of special fundamental research.

The same cannot be said about Ukraine princely times (the Kyiv state of the IX-XIII centuries and the Galicia-Volyn state of the XIII-XIV centuries). The origins of knowledge on the management thought of this time are numerous written memos: acts, documents, registers, journals, codes of rules. The social structure of Kievan Rus was based on three main powers of land ownership: princely, boyar, and monastic. On these types of land ownership, forms of management were approved, as well as management.

*It should be noted that the **Kyiv-Mohyla Academy** played an important role in the establishment of administrative thought in Ukraine, which produced not only Ukrainian bishops, but also well-trained agronomists-organizers and economists who left a deep imprint*

on the development of agronomic and economic culture in Eastern Europe.

*Industrial entrepreneurship in Russia and Ukraine was initiated as a state* enterprise. The state supported the development of industry, construction, and railway transport through the creation of joint-stock companies. Other methods of state support for entrepreneurship include various tax benefits, including exemption from all types of taxes for a long time, preferential lending, government orders, etc.

*At the end of the XIX century. of the beginning of the XX century. In the Ukrainian economic literature, the issues of state regulation of the economy in the conditions of market relations,* the interaction of state centralism and self-government of local economic bodies were highlighted.

It is impossible not to mention the great role in the establishment of administrative thought in Ukraine played by the Kyiv-Mohyla Academy, which was founded in 1632 by Metropolitan Petro Mohyla. For a long time (until its closure by the tsarist government in 1817) the Academy was the center of education and administrative thought in Ukraine, and since the time of Tsar Alexei Mikhailovich — in Russia. This is primarily due to the high level of teaching disciplines in education and *management in the field of economics and agronomy.*

*Deep study of Plato and Aristotle in the Academy of Ancient Philosophy* gave its students knowledge in the field of economic, including managerial thought. They knew the basic tenets of the "oikonomia" developed and developed by Xenophon and Aristotle.

Graduates of the Kyiv-Mohyla Academy knew the canonical political economy of the Middle Ages. At the same time, the basics of rural and domestic economics were taught at the Academy. Thus, *The Academy trained not only Ukrainian bishops, but also well-trained agronomists, organizers and economists who left a deep imprint on the development of agronomic and economic culture in Eastern Europe.*

*Let's note some of the graduates of the Academy. Andriy Samborsky (1732-1815).* While at the Russian Embassy in London, he supplemented his knowledge with the study of the theory and practice of agriculture in England. He became the representative of the "English system", that is, the system of fortified intensive agriculture. After returning from London, Samborsky became the tutor of the heir to the throne Pavlo Petrovych, as well as the teacher of the Grand Dukes Alexander, later Tsar Alexander I and Constantine.

Therefore, we can talk about the positive influence of the views of the Ukrainian economist on the formation of the policy of educational absolutism in the first decade of the XIX century. For some time, a graduate of the Kyiv-Mohyla Academy, *Mikhail* Livanov (1751-1800), was also in England. Livanov was one of the first researchers of the conditions of grain cultivation in the steppe of Ukraine. In 1799 he founded the first agricultural school in Ukraine near Mykolayiv. It is also known that Potemkin, having in mind the creation of Yekaterinoslav University, thought of inviting M. Limanov to the Department of Agronomy.

Among the figures in the field of applied rural economics of the first half of the XIX century. ***P.I. Prokopovych*** (1775-1850), a very well-known Ukrainian beekeeper, the inventor of a collapsible frame hive and his own (Ukrainian) frame. In 1828, he opened the first beekeeping school in Eastern Europe in the village of Palchyky near Baturyn, which existed for 51 years.

Let us dwell on some representatives of Ukrainian popular thought.

***Baludiansky Mykhailo Andriyovych*** (1769-1847) was born in Transcarpathia. He graduated from the Faculty of Law of the Military Institute. From 1789 he worked as a professor at the Gross-Vardeins Academy and then at the University of Pest he taught political economy. In 1803 he worked as a teacher at the main pedagogical institute of St. Petersburg. In 1819 the institute was named a university, and Baludiansky became its first rector (1819-1821). He also worked a lot as a government official.

***The systems of economic views of A. Smith's mercantilists and physiocrats were presented by him in conjunction with the economic and administrative mechanism.*** This approach played an important role, since Baludiansky became one of the ideologues and developers of programs for bourgeois reform of the economic system in Russia. (Finance plan for 1810; monetary reform of 1839-1843)

***Karmazin Vasily Nazarovich*** (1773-1842) – known as the founder of Kharkiv University, the initiator of the education reform in Russia. As a scientist-economist, he represented the views of ***physiocracy***. It

should be noted that at that time in Russia in the first place were the issues of socio-economic development of the empire. The issues that concerned the Western states, namely, the problems of managing the entrepreneurial (market) economy, receded into the background. peoples that were part of the Russian Empire. This is a question of the correlation of local, national and imperial interests in public administration, taking into account local peculiarities.

He saw the reform, in addition to establishing the "goal of dependence" of the peasants, in restricting the arbitrariness of the landlords and endowing the peasants with civil rights.

*Karmazin considered it necessary to grant the peasants ownership rights to land on the basis of their own possession (including the right to sell and buy it) and to pay money rent every year.*

Historical experience shows that traditionally for Ukraine (as part of the Russian Empire) the role in the economy was decisive. The state participated in the establishment of the financial-credit and monetary system, in their normal functioning.

In the first quarter of the XIX century. Almost half of all manufactories were founded by the state. Industrial entrepreneurship in Russia and Ukraine began as state entrepreneurship. In the second half of the XIX century. The state continued to support the development of entrepreneurship and private initiative. It supported the development of industry, the construction of railway transport by joint-stock companies, and in the 80s – at the expense of the treasury and the

purchase of many private roads. Other methods of state support for private initiative and entrepreneurship include various tax benefits, in particular, exemption from all types of taxes for a long time, credit benefits in the form of preferential lending, government orders, etc. ***The state launched a protectionist ("patronage") policy.***

Industrial entrepreneurs needed higher and more possible tariffs, considering them the main factor in the successful development of national industry. ***A number of Ukrainian economists (P. Michurin, M. Sobolev, and others) were also supporters of protectionism with active state intervention in economic life. Others, including Vernadsky, advocated independent entrepreneurship.*** But Vernadsky did not completely reject the need for government intervention in the economy. He believed that such intervention was not necessary when markets were freed from feudal dependence, but that the creation of such markets was a matter for the government. For Russia in the middle of the XIX century. This meant the abolition of serfdom.

Thus, at the end of the XIX century. Industrial entrepreneurship was sufficiently strong and was able to solve complex problems of economic development.

***In connection with the development, in particular, of the issues of industrial production management, the name of another economist and public figure – Mykhailo Ivanovych Tugan-Baranovsky (1865-1919) – entered the history of world science.*** He was born in Ukraine. He graduated from Kharkiv University. In 1894 he defended his master's thesis at Moscow University ("Industrial Crises, Their Causes

and Impact on People's Life"). He defended his doctoral dissertation. He worked as a professor at Moscow University. In 1917 he came to Ukraine and held the post of Minister of Finance in the Central Rada. ***With his participation, the Ukrainian Academy of Sciences was created, in which the Department of Social and Economic Sciences was founded for the first time in the world. Development of management science in Ukraine.***

*At the end of the 19th and the beginning of the 20th centuries, the Ukrainian economic literature covered the issues of state regulation of the economy in the conditions of market relations, the interaction of state centralism and self-government of local economic bodies.* At the same time, the *history* of management was developing, namely the school of scientific management.

***In modern Ukraine, management science has developed within the framework of the approaches that prevailed in the former USSR.*** Although the research was ultimately aimed at improving the ***administrative and command system***, some experience (positive and negative) in the field of management was accumulated.

***Scientists distinguish seven stages in the development of management science in Soviet times.***

***Stage I (October 1917 – March 1921)*** The forms and methods of ***state*** centralized management of production have been developed, the principles of centralism, organizational methods of management, dictatorship and state regulation have been substantiated.



*Stage II (1921 - 1928).* Further improvement of the administrative management of production was carried out, attempts were made to use state accounting as the basis of economic management methods, trusts and syndicates appeared, and the possibility of workers' participation in management was formally studied.

*Stage III (1929-1945)* is associated with the organization of the industrial base of social production. At this stage, management structures, methods of selection and training of personnel, planning and organization of production were improved.

*Stage IV (1946-1965)* is characterized by the search for new forms of functioning and interaction of state governing bodies, an attempt to transition to a territorial and territorial-sectoral system of management, which eventually led to the deepening of administration.

*Stage V (1965-1975).* An attempt at economic reform by strengthening the role of economic management methods has been made. This stage confirmed the ineffectiveness of economic reforms within the framework of the administrative-command system.

*Stage VI (1975-1985)* is characterized by a growing awareness of the impossibility of reforming the administrative-command system. He reaffirmed the need for a radical change in economic relations and fundamental economic reforms, the implementation of which should be attributed to the second stage.

*Stage VII can be divided into five sub-stages, which began in 1985.*

*The first substage is the work of the* enterprise according to the first model of economic calculation, based on the normative distribution of profits.

*The second substage* is the application of the second model of economic calculation, based on the normative distribution of income, the development of lease relations.

*The third substage* is the introduction of progressive forms of labor organization, the strengthening of the cooperative movement, and the increase in economic freedom.

*Substage IV – implementation of* territorial cost accounting at all levels of management.

*Substage V is the beginning of market reforms. The implementation of* this substage is carried out already in the context of the development of the independent national economy of Ukraine. The period of formation of the national economy of Ukraine and the implementation of economic reforms requires a separate study and presentation.

*At different stages of the development of management science, a significant contribution to it was made by such well-known Ukrainian scientists as O. Terletsky, M. Pavlyk, M. Drahomanov, M. Sieber, S. Podolynsky, M. Tugan-Baranovsky, I. Vernadsky, M. Volsky, H. Tsekhanovetsky, K. Vobly, T. Voynarovskiy, V. Bandera, I. Koropetsky, and others.* The development of management as *a science is not a chain of successive steps forward. Rather, it can be described as the development of parallel-sequential approaches to management,*

*which coincided in some ways and differed in others.* In Ukraine, the management system began its formation at the beginning of the twentieth century. and continues to be formed and improved to this day. The management system is formed and functions not only in accordance with the content of the management function and the nature of the relations that underlie the management relationships, but also in accordance with the conditions in which the management system is formed, as well as in accordance with the principles of its construction that are immanently appropriate for the management system, Functioning and transformation

*Management development is not a one-time transformation of management in order to achieve the "best" state of management, but a continuous process over time.*

## Chapter 3. Organization. Internal and external environments of the organization

### Lecture plan

1. The concept of organization.
2. General characteristics of organizations and components of its success.
3. Internal environment of the organization.
4. External environment of the organization.
5. Organization as an open dynamic system.
6. Types of organizations in Ukraine.



### 1. The concept of organization.

The concept of "organization" comes from the ancient Greek word "organon", which refers to an instrument or instrument. From him came the concept of "organ", and then, as derivatives, "organism" and "organization". An organization has grown out of human needs to cooperate efforts to achieve its personal goals due to the presence of a number of physical, biological, psychological, and social constraints.

Today, *the concept of "organization" is widely used in many sciences (philosophy, mathematics, economics, sociology, etc.) and in practice. This concept has many meanings. Most often it means: internal orderliness, coherence of interdependent elements of the whole (system); a set of processes or actions that ensure the achievement of the goals of the system; An association of people whose joint activities*

*are aimed at implementing established programs based on certain rules and procedures.* Thus, this concept can mean an object, properties of an object, and an activity (process) and is used to refer to various semantic categories: social organization or the institution (statics) and the management process as an ordering and consciously coordinating activity (dynamics).

***Society consists of many organizations that are associated with all aspects and manifestations of human life – society as a whole, the economy, science, education, even personal life.***

***An organization is a social*** entity with defined boundaries that is consciously coordinated and functions on a relatively simple basis to achieve a goal. By the words "consciously coordinated" we mean management, by "social entity" we mean that an organization is made up of people or groups of individuals who interact with each other. Organizational processes contain a social essence, and the interaction of group members must be balanced and implies the need for coordination.

According to V.I. Tereshchenko, organization is understood as a structure, a backbone within which certain activities are carried out.

***An organization is a group of people whose activities are consciously coordinated to achieve a common goal or objectives that meet the following requirements:***

- the presence of at least two people who consider themselves part of this group;
- the presence of at least one common goal;

- the presence of group members who consciously work together to achieve a goal that is meaningful to all.

*Each organization consists of elements (departments, services, groups, individual performers), their roles and relationships determined by hierarchy, polyarchy, written and unwritten rules (codes) of behavior. These roles, relationships, and codes can have formal and informal aspects, or formal and informal structures.*

*The concept of "organization" is one of the most commonly used. It is used in at least three senses:*

- *organization as a system;*
- *organization as a state;*
- *Organization as a process.*

*An organization as a system has the following features:*

- *integrity* – *it is* assumed that the system is a set of specific elements with their own properties and the nature of the relationship. In this way, the system stands out from the infinite variety of objects in the material world;

- *divisibility* – *it is* assumed that the system allows its division into subsystems and elements, which, in turn, have system properties. The system under study itself is included in a wider set of elements, that is, in a system of a higher level.

Organization as a process is a manifestation of social activity that arose on the basis of the social division of labor. The functional purpose of the organization in this sense is the creation of new and improvement of existing and functioning systems of any kind. Therefore, to **organize**

*means to create a new system or to improve the state of the old one in the process of its functioning in accordance with changing internal and external conditions.*

*Organization as a form of social activity is always concrete*, as are other types of work. The specificity of an organization is determined by its object. *For the production system, the organization of production, labor and management is of great importance.*

*Organization as a process is carried out by people.* It was formed into a huge independent object, so there was also a special group of professional workers, who are called specialists in the organization of production, labor and management.

*The organization of the management process, as well as a diverse organization in general, involves the distribution and consolidation of work by stages, the regulation and normalization of their sequence and timing, the establishment of the degree of disciplinary sanctions, the introduction of mandatory requirements for the implementation of the management process.*

*The organization of the management process* is its comprehensive streamlining, which determines the clarity, consistency and permissible limits of its implementation. In other words, it is an expedient construction of the management process in time and space in accordance with the needs of coordinating joint work in the socio-economic system with the tasks of improving the efficiency of production management.

*The definition of an organization implies the need for formal coordination of employee interactions. The structure of the organization determines how tasks should be distributed, who reports and to whom, what are the formal coordinating mechanisms and models of interaction. It is characterized by comprehensiveness, formalization and a certain ratio of centralization and decentralization.*

In the design of the organization, the idea of it is used, which acts rationally and purposefully, has a priori established goal and improves the methods of achieving the goal. *Design in modern conditions is brought to life by the complexity of management of organizations, the need to use scientifically based methods to perform management functions and the specialization of managerial work.*

*Each organization has its own purpose, strives to achieve certain goals - survival, growth, profitability.* It produces certain products and provides services, uses various technologies, etc.

*In organizations, hierarchy is important.* An organization is considered hierarchical if the relationship between the boss and the subordinates is of a chain nature. As the hierarchy increases, the number of subordinates who are at the same time superiors increases.

**Complex organizations.** Management very rarely deals with organizations that have only one goal. Complex organizations have a set of interrelated goals. For example, Myronivsky Hliboproduct is an organization that consists of more than seven thousand independent enterprises, the work of which is ensured by the support of a large number of organizations that build stores and workshops, advertise and



purchase products, develop new types of products, and carry out quality control.

*An organization is a system, that is, a set of interacting elements that make up an integral entity that has properties different from those of the constituent elements.* The main forms of entrepreneurial activity in Ukraine are enterprises, partnerships, cooperatives, which are formed in accordance with the Law of Ukraine "On Entrepreneurship". In addition, there are organizations such as banks, insurance companies, credit unions, exchanges, funds.

*Various forms of entrepreneurial activity can create associations, which include associations, concerns, consortia, holding companies, production associations, franchise associations.*

The world practice of the formation of business structures shows that it is most expedient to base cooperation between large and small firms on the system *of franchise contractual relations*. The term "franchise" is borrowed from French and *means an agreement between large corporations (franchisors) and small firms (franchisees) or individual entrepreneurs on the basis of a system of mutually beneficial benefits and privileges.*

*The franchisor gives the right to a small entrepreneur to conduct business in the form determined by the agreement, in a certain territory and for a specified time. At the same time, a large company provides a small one with its goods, advertising services, effective technologies, brand name, etc.* At their core, franchisees perform the functions of dealers, trading enterprises, intermediaries, licensees,

affiliates, retailers and are obliged to maintain business contacts only with franchisors. Most often, a franchisee arises in the field of trade, services, and food. The possibility of its application in the field of production, research activities, and training is not excluded.

## **2. General characteristics of organizations and components of its success**

All complex organizations have common characteristics, help to understand, in order to succeed, the organization needs to be managed.

**1. Resources.** In general terms, the goal of any organization includes the transformation of resources to achieve results. The main resources used by an organization are people (human resources), capital, materials, technology and information.

**2. Dependence on the external environment.** *One of the most important characteristics of an organization is its relationship with the external environment. Organizations are completely dependent on the outside world, on the external environment – both in terms of their resources and in terms of consumers, users of their results, which they are trying to achieve.*

*The term "external environment" takes into account economic conditions, consumers, trade unions, government acts, legislation, competing organizations, the system of values in society, social views, equipment and technology, and other components. Management has to take into account an increasing number of environmental factors. To*

*succeed, firms have to compete in foreign markets and confront competition from foreign companies at home.*

**3. Horizontal division of labor.** The most obvious characteristic of an organization is the division of labor. If two people work towards the same goal, they must divide the work between them. *The division of all work into its components is called the horizontal division of labor.* Dividing a large amount of work into small, specialized tasks allows an organization to produce significantly more output than if the same number of people worked independently. *A classic example of the horizontal division of labor in a manufacturing enterprise is production, marketing, and finance.* These are the main activities that must be successfully carried out in order for the firm to achieve its goals.

**4. Subdivisions.** *Complex organizations carry out a clear horizontal division through the formation of units that perform specific specific tasks and achieve a specific specific goal.*

*Units* are groups of people whose activities are consciously directed and coordinated to achieve a common goal.

**5. The vertical division of labor separates the work of coordinating actions** from the actions themselves. The activity of coordinating the work of other people is the essence of management.

**6. The need for management.** *In order for an organization* to achieve its goal, tasks must be coordinated by a means of vertical division of labor. Therefore, management is an essential activity for the organization.

*An organization is considered to be successful only when it has achieved its goal.*

*Components of the organization's success:*

*1. Survival.* Some organizations plan to close after they have achieved a number of pre-planned tasks. An example is any government commission that was created to achieve a specific goal. But survival, the ability to exist as long as possible, is the primary task of most organizations. This can go on indefinitely. *The record was set by the Roman Catholic Church, which has been active for 2000 years.*

*2. Effectiveness and effectiveness.* To be successful for a long time, to survive and achieve the goal, *the organization must be both efficient and effective.*

*Popular researcher Peter Drucker says that effectiveness is a consequence of "doing the right, right things." And efficiency is a consequence of "creating the same things correctly." Both the first and the second are equally important.*

*3. Performance.* Efficiency can be measured and expressed quantitatively, because it is possible to determine the monetary value of the resources consumed and the products produced. *The relative efficiency of an organization is called productivity.* It is expressed in quantitative units. *Productivity is* the ratio of the number of units in the output to the number of units in the input.

*Quality is a key component of productivity.*

Managers decide what the organization's performance goals should be. Managers decide what methods of obtaining products will

be used in the organization. Managers decide what forms of incentives will be applied in the organization in order to interest workers in increasing productivity.

**4. Practical implementation.** Managerial decisions, no matter how well they are justified from the point of view of theory and supported by research, are only ideas, opinions. And the purpose of management is the performance of real work by real people. ***Decisions are successful when they are implemented practically, efficiently and effectively, and turned into action.***

*A modern manager should know that within the framework of new managerial thinking, any production system is considered associotechnical.*

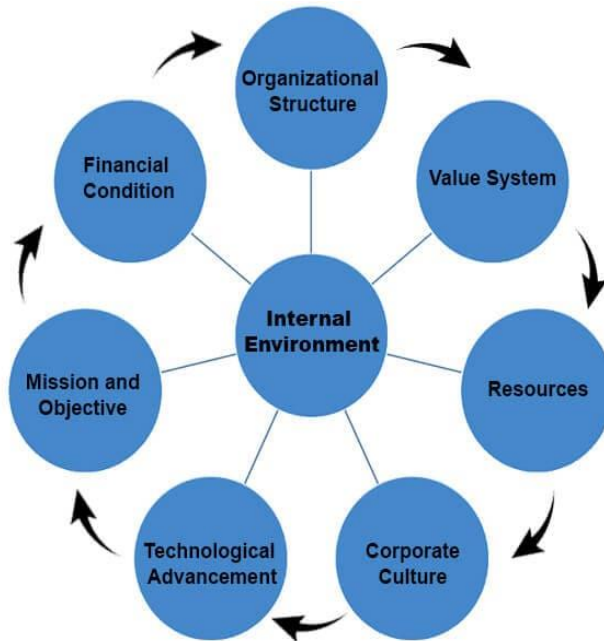
**a) technical**, which includes not only machines, machine tools, equipment, all types of technologies, but also managerial knowledge, organizational structures, planning methods, organization of workplaces and the level of qualification and training of the workforce, technological techniques and work skills;

**b) social**, which includes all forms of moral and material incentives for work, management style, participation of workers and employees in the decision-making process, career creation and promotion, organizational culture, etc.

### **3. Internal environment of the organization**

*The internal environment of each organization is formed under the influence of factors that have a direct impact on the process of transformations (production of products, services).*

*Internal factors are situational factors within an organization that are constantly in the field of view of managers: goals, structure of the organization, its tasks, technology and people. Figure 3.1).*



*Fig. 3.1. Situational factors within the enterprise*

*The first variable factor is that any organization is seen as a group of people with common goals, it can be seen as a means to an end. Different types of organizations have different goals. If the goal is to **make a** profit, then organizations are engaged in the production of goods or the provision of services. If organizations are **non-profit**, then their goal is to fulfill their purpose within the allocated budgetary funds.*

*Large organizations are multipurpose. To make a profit, a large organization defines goals in different directions, that is, it develops a **tree of goals**. This can be the development of new products, **higher quality of services, personnel training, determination of the sales market, etc.***

*The second factor is the structure of the organization. The structure of an organization is understood as the number, composition of its divisions, levels of management in a single interdependent system. The structure establishes such relationships between management levels and functional units that allow the most effective achievement of the organization's goals. This is facilitated by a specialized division of labor. A characteristic feature of the specialized division of labor is that the corresponding work is assigned to specialists, that is, those who are able to perform it best of all.*

*The advantage of a specialized division of labor is that the specialist works more **productively and efficiently**. In all organizations (with the exception of very small ones) **there is a specialized division of labor**. In large organizations, specialists are grouped together within the functional division of industries (departments, management). Thanks to the correct division of labor in the organization horizontally, its successful activities are carried out, high productivity and efficiency are achieved. But no less important in this regard is the vertical division of labor.*

*In large modern organizations, work is **clearly differentiated horizontally and vertically**, then there is an extreme need to create*

***formal mechanisms for coordinating the activities of inter-level units and co-subordination.*** Such coordination ensures not only the interests of departments, but also the interests of the organization as a whole.

***Through coordination, the organization's goal to its divisions is formulated and implemented. But this is only one of many coordination mechanisms. Every management function is involved in coordination.***

***The third internal variable factor in the organization is the setting of tasks, which is understood as the proposed work (a group of works or part of a work )*** that must be completed in a predetermined way and on time. When developing the structure of the organization, each job description includes a number of tasks that are part of the total amount of work to achieve the goal. It is considered that if the tasks are performed according to the established technology and mode of operation, then the organization functions effectively.

***There is a traditional division of tasks into three groups: work with people, objects (machine, raw materials, tools), information. Working at the workbench*** is working with objects. The foreman of the site works with people. ***The work of an economist in the planning department*** is mainly related to information.

***The fourth variable factor is technology.*** Technology is a means of transforming raw materials into certain products and services. It involves a combination of skilled skills, equipment, infrastructure, tools, and relevant technical knowledge that are needed to bring about the desired transformations in materials, information, or people.



Any production tasks cannot be performed without the use of a specific technology. It acts as a means of transforming the material entering at the input of the production process into a form that is obtained at the output.

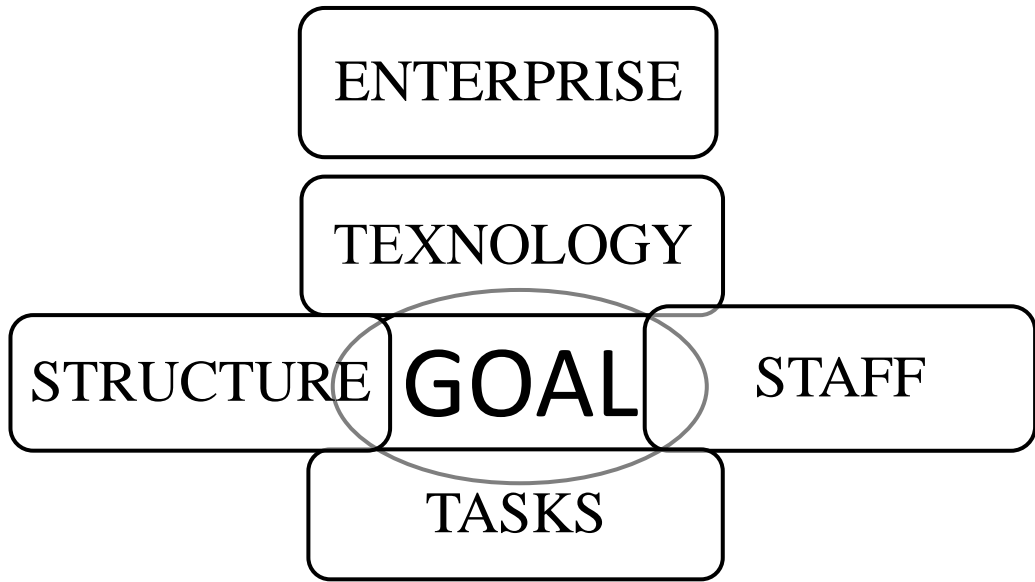
An important place in technology is occupied by standardization and mechanization, which significantly reduce the cost of production and repair work, because they involve the use of machines and mechanisms instead of people. The use of standard units in production, the replacement of people with mechanisms, and the use of conveyor lines have changed the job responsibilities of managers, which in turn has affected the very essence of production management.

***The most important internal variable of management is people (the fifth variable). The human factor is considered in management in three directions: the behavior of people (individuals, people in groups, the behavior of a leader), the manager in the role of a leader, the influence of a manager on the behavior of individuals and groups.***

***All internal variables act in an interrelation, which allows you to achieve the goals of the organization (Figure 3.2).***

The internal environment of an organization is determined by internal factors, that is, situational factors within the organization. The internal environment where managers work includes the corporate culture, organizational structure, production technology, all buildings and structures that belong to the organization, machinery and equipment. The most important factor in the internal environment is

corporate culture. The internal culture must meet the requirements of both the external environment and the company's strategy.



*Fig. 3.2. Interconnection of elements of the internal environment of the enterprise*

*The internal environment of an organization is represented by functional areas that are common to all types of organization.*

*The personnel function* is the provision of production and other areas with human resources (hiring, training and retraining). Performance of all management actions related to the social sphere: payment, well-being and terms of employment.

*Finance and accounting* are the monetary aspects of a business, including the management of funds (costs, changes in the money

supply). Accounting is the collection, processing, and analysis of financial data.

***Provision of resources*** - implementation and improvement of the system of material and technical support of the organization with materials, semi-finished products, machines and energy resources.

***The production function*** is to ensure the functioning of the production process depending on the purpose of the production function. Decision-making in the field of technology, organization, scheduling, production, as well as quality control (all these numerous tasks are included in operational and production management).

***The function of product and production process development is the organization of research and process development, the development of high technologies, computerization (improvement of the organization of processes).*** Study of the long-term dynamics of product development as the main factor of competition in the market, implementation of the company's innovation policy.

***The function of the development of material and technical support of production*** is the development of tool facilities, repair services and technical equipment services in order to ensure rational terms of physical and moral wear of technical systems.

***Marketing*** is a special type of activity to predict, implement, identify and satisfy the desires of the consumer. The performance of these functions for one organization is called micromarketing, for society as a whole – macromarketing. When studying customer behavior, it is worth considering their social, psychological, cultural,

educational, age, and other factors. They determine the need to create a product, the problem of finding information about it, evaluating alternatives, and make purchase decisions of the product and evaluate its quality during operation.

#### **4. External environment of the organization**

*External factors* are basically uncontrollable forces that have an impact on managers' decisions and their actions and, ultimately, on the internal structure and processes in the organization.

External influence on the organization can be represented as a combination of three main areas: *remote, industrial and operational influence*.

*Remote influence consists of a number of factors that* originate outside the firm, usually independent of the internal situation that has developed in the organization. *Long-term impacts include: environmental, economic, political and legal, socio-cultural, demographic and technological influences.*

*Operational impacts include:* production structure, rivalry between competitors, entry and exit barriers, the threat of substitute goods, supplier influence, and consumer influence.

*The operational environment includes:* competitive position in the market, consumer image, labor market, interests of intermediaries, relations between suppliers and creditors.

*Functional spheres of the external environment.*

***Social environment.*** The growth of the population, the development of culture, and education determine the nature of the growing potential market; the measurement of the need for the quantity and quality of consumed goods (food, housing, comfort), the change in lifestyle leads to the transformation of the concepts of employment and recreation, a healthy lifestyle, the comfort of housing, and all together – the motivation for changing the production of goods and services.

***Legal environment.*** *All business organizations* operate within a legal framework, the rules of law regulate the behavior of business organizations and resolve disputes, conflicts between them and society as a whole. Therefore, laws, contract law, consumer protection, etc., are developing.

***State environment.*** The state can play three different roles in the economy: non-interference of the state in the processes of the economy (free market); radical intervention in the economy (socialism and communism); pragmatic intervention, i.e. coordination of political views, individual initiative, profitable motivation, market forces (regulated market).

***Political environment.*** The internal market is influenced by political events and decisions, similarly, political factors can affect international business transactions.

***Technological environment.*** *The dynamics of supply and demand in the* labor, resources and finance markets affect the pace of innovation processes in technology. The forces of competition drive the process of technology development.

**Economic environment.** The processes of production of products and services are always in a specific connection with the economic environment: the level of employment, the balance of payments, the rate of economic growth.

**Resource environment.** Economists believe that the resources consumed by humanity are always limited. This principle can be considered correct when it comes to resources that do not require deep processing. The problem of production is another aspect: to learn how to obtain an unlimited amount of resources without disturbing the stability and balance of the environmental parameters that determine the duration of humanity's stay on earth.

The external environment of the organization is schematically represented *in Figure 3.3*



**Fig. 3.3. External environment of the organization**

The organization must reflect the external environment. Its structure is based on prerequisites of an economic, scientific, technical, political, social or ethical nature. The organization must be created in such a way that it functions normally, all its members must contribute to the overall work and effectively help employees achieve their goals now and in the future.

*The key factors of an organization's success are in two areas: external* (from which it receives all types of resources, including information, i.e. knowledge) and *internal* (strengths and weaknesses of which create certain prerequisites for the transformation of resources into products and services).

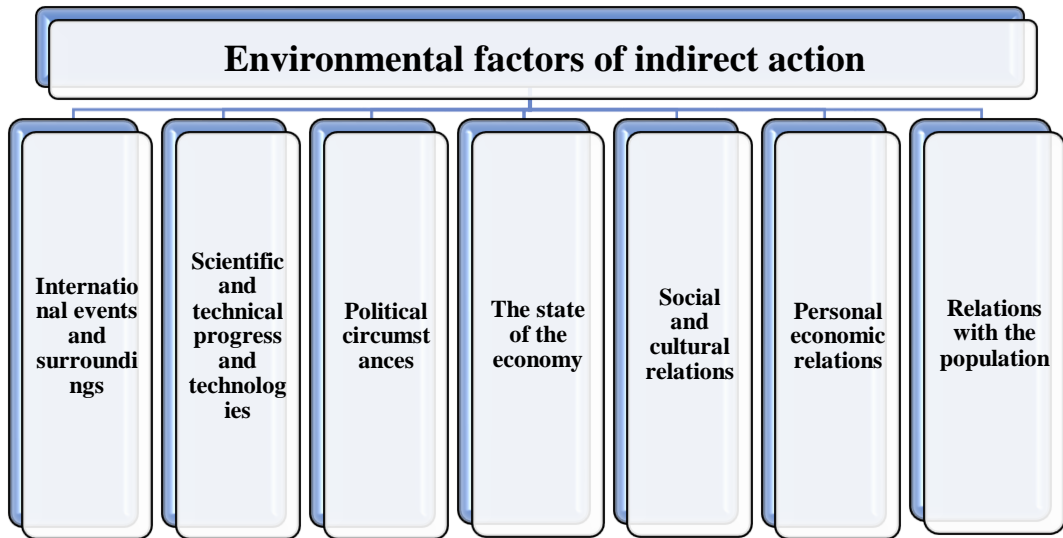
*The external environment is characterized by a set of variables that are outside the enterprise and are not the sphere of direct influence of its management. These are, first of all, all those organizations, as well as people who are connected with this enterprise by virtue of the goals and objectives it fulfills: suppliers, consumers, shareholders, creditors, competitors, trade unions, trade organizations, consumer unions, government agencies, etc. In addition, there is a second series of environmental variables - social factors and conditions that, without directly affecting the operational activities of the organization, determine strategically important decisions made by its management. The most important role here belongs to economic, political, legal, socio-cultural, technological, environmental, physical and geographical factors and variables.*

*A distinction is made between the environment of direct influence and the environment of indirect influence. Direct influences include suppliers, labor resources, regulatory laws and institutions, consumers and competitors. The environment of indirect influence includes the state of the economy, scientific and technological progress, socio-cultural and political changes, group interests and events in other countries related to the organization. Indirect factors may not have a direct impact on the organization, but they do affect its activities. Like internal variables, external variables affect the organization in a relationship, i.e. a change in one factor can affect a change in others. For example, the rise in oil prices will lead to an increase in prices in all sectors of the economy, will cause government regulation of consumption standards, introduction of taxes on excess profits of oil companies, increase in prices for utilities, etc. (Figure 3.4.)*

***Environmental factors are characterized by:***

- objective factor of influence: conditions arise independently of the activities of the enterprise and affect it;
- interdependence of factors: the strength with which the variability of one factor affects other factors;
- complexity, number and variety of factors that significantly affect the enterprise;
- dynamism: the relative rate of change of the environment;
- uncertainty: the relative amount of information about the environment above and the degree of its probability.





***Fig. 3.4. Environmental factors of indirect action***

The complexity of the external environment is characterized by the number and variability of factors to which the organization is obliged to respond. Organizations dealing with complex external environments deal with many categories of data needed to make decisions.

***Enterprises*** that produce products depend on the uniformity of the supply of materials. Disruption of their supply leads to disruption of production, market supply, profit, satisfaction of buyers' needs, etc. All this ultimately puts the competitor in a better position. Hence the direct dependence of the organization on suppliers.

For the proper functioning of the organization, not only suppliers of materials but also capital are needed. ***Investments*** can be obtained

*from banks, shareholders, and individuals. A reliable financial condition of an organization always attracts investors.*

Whatever modern technology, capital and materials are, they cannot ensure the efficiency of production without labor resources. ***Organizations, as a rule, always lack highly qualified specialists in various areas and managers.***

***Organizations are influenced by laws and government agencies that determine the legal status and regulation of the economy. This includes many laws and regulations on safety and health, environmental protection, consumer protection,*** payment, financial protection, and many others. Organizations are required to comply not only with the requirements of laws, but also with a number of government agencies that monitor the implementation of laws and issue their orders. All this is complemented by regulatory regulations local governments.

***The task of the organization is to create its own consumer,*** because business is impossible without a consumer. It is the consumer who dictates what goods and services are necessary for him and at what price, that is, he determines the final results of the organization's activities. Therefore, the influence of consumers in improving efficiency and using internal variables such as materials and labor resources is enormous.

*But in many cases, it is not the consumers who determine the product or service that the market needs, but the **competitors.*** If competitors innovate, it requires even more advanced innovations and the transformation of their organization into an even more innovative

and efficient one. Underestimating a competitor in the field of improving a product or service can result in a large loss of profit.

*The interests of the organization are also affected by general changes in the economy: inflation,* economic recession, fluctuations in the dollar exchange rate against the currencies of other countries. For example, inflation can cause costs to rise. Tax cuts increase the amount of money in the population, which contributes to business development.

*The organization is also influenced by life values and traditions.* It is unethical to spread rumors that discredit a competitor, to hire through acquaintances. Sociocultural factors influencing an organization include adherence to a certain brand or a negative attitude towards a particular product or phenomenon.

*Organizations also need to take into account political factors and the attitudes of the local population.* If an organization conducts business outside the domestic market, then it needs to take into account the peculiarities of the external environment of the country in which it operates. In each country, external factors will be unique. They touch not only on needs but also on the culture, habits, and customs of another nation.

*In the international business environment, factors such as culture, economy, legislation, government regulation, and political situation stand out.*

*Firms operating in an international environment* must also take into account general economic factors (such as exchange rates, wage

levels, discount interest rates, and general levels of economic development).

*The laws and state regulation of the country* in which production or trade is carried out are subject to careful study. Labor and antitrust laws, patent cases, pricing, and laws of the market economy are subject to study.

*The importance of environmental factors increases sharply due to the growing complexity of the entire system of social relations (social, economic, political, etc.) that make up the management environment. It is the external environment that dictates the strategy of the organization.*

## **5. Organization as an open dynamic system**

Significant penetration into the internal structure of the organization is ensured by the use of a systematic approach.

*A system is a set of interconnected and interconnected parts, composed in such an order that allows the reproduction of the whole.*

A unique characteristic when considering systems is the internal relationships between the parts. Each system is characterized by both differentiation and integration. The system uses a variety of specialized functions. Each part of the organization performs its own defined functions. At the same time, to maintain the individual parts in one organism and to form a complete whole in Each system undergoes an integration process. In organizations, this integration is usually achieved by coordinating the levels of hierarchy, direct observation,

rules, procedures, and course of action. Therefore, each system requires separation in order to determine its constituent parts. Along with this, there is a need for integration in order to create conditions under which the system does not break up into independent units. While organizations created from parts or composite elements are themselves subsystems within a larger system. There are not only systems, but also subsystems and super-systems. The classification of these concepts depends on the characteristics of the subject of analysis. At the same time, the whole is not a simple sum of parts, since the system should be considered as a unity.

*A distinction is made between open and closed systems. The concept of a closed system is* generated by the physical sciences, where it is understood that the system is self-sufficient. Its main characteristic is that it essentially ignores the effect of external influence. A closed system would be one that does not receive energy from external sources and does not give energy to its external environment. A closed organizational system is little used.

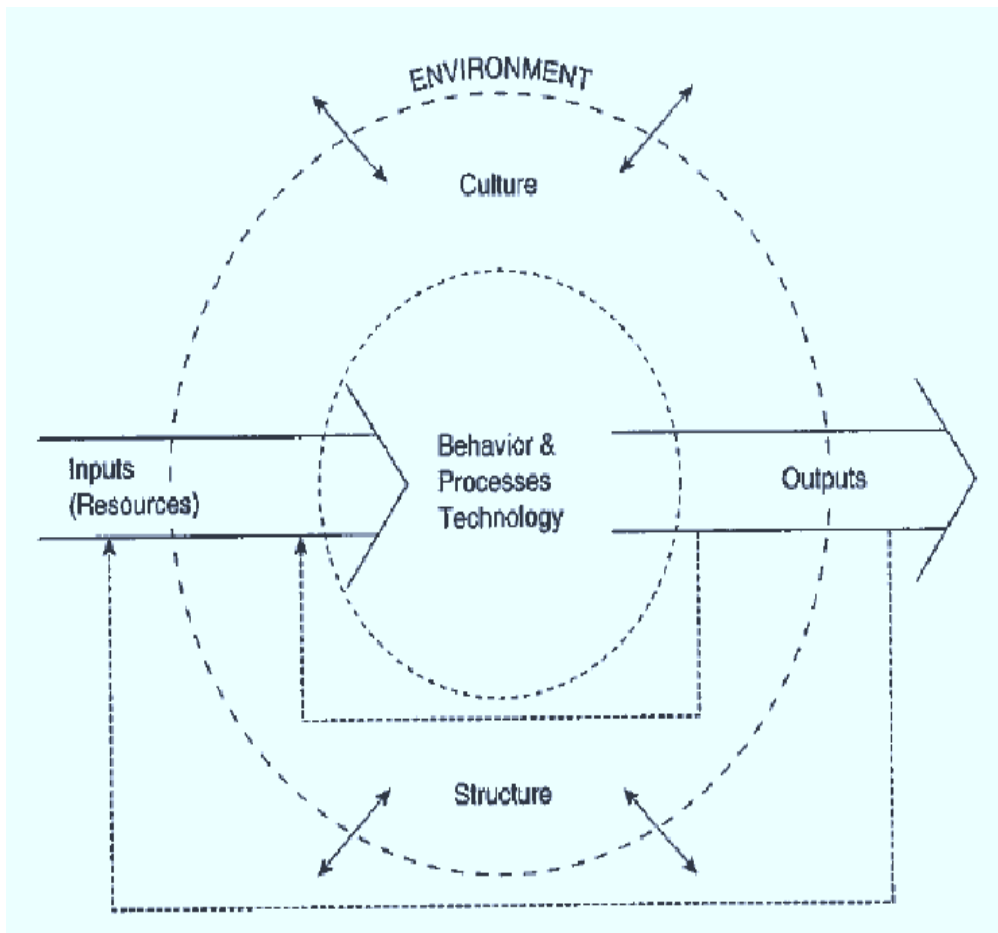
*An open system recognizes dynamic interaction with the world around us.* Organizations source their raw materials and human resources from the outside world. They depend on customers and customers from the outside world to consume their products. Banks that actively interact with the outside world, use deposits, turn them into loans and investments, use the profits to support themselves, develop, pay dividends and pay taxes.

***The degree of separation between open or closed systems varies within systems.*** An open system can become more closed if contact with the environment decreases over time. In principle, the opposite situation is also possible.

***System components.*** As part of each system, it is possible to distinguish two closely interacting subsystems - the controlling and the controlled. The control subsystem is "who" governs, and the controlled subsystem is "what" or "whom" is controlled. The concepts of "subject of management" and "object of management" are similar in content.

In this sense, any organized socio-economic system can be represented as a combination of a control subsystem (the subject of management) and a controlled subsystem (the object of management).

***The controlled subsystem includes elements*** that provide the direct process of production, economic, commercial and other activities. Figure 3.5. The process of functioning of the organization as an open system is shown.



***Fig. 3.5. The process of functioning of the organization as an open system***

***The subject and the object of management interact through communication channels through which information flows pass.*** These flows are control actions and messages about the state of the controlled object. Management can be represented as a process of exchange of activities, as a result of which the system is normalized and brought into a state of dynamic equilibrium.

*The dynamic equilibrium of the organization comes under the influence of environmental factors.* Impacts come in the form of deviations to the norms in the provision of resources (untimely delivery of materials, raw materials, components, loans, etc.), as well as deviations in the process of transforming resources into finished products.

Information about relevant actions is received through feedback channels.

The communication that serves the management apparatus (subject), which develops management decisions (influence), and ensures the transfer of the latter to the object of management, is called direct communication. Feedbacks that carry information about the state of the object and its reaction to management decisions serve as the basis for the formation of a corrective impact on the input of a dynamic system. Thus, there is a connection between the "input" (goals, norms, resources) and the "output" of the system, which characterizes the degree of achievement of a given goal (result).

The input of the system is the flow of resources entering the object of management, and the flows of information about resources, environmental factors, and operations that are carried out in the object. These flows of information go to the subject of management (management apparatus). The input (both the resources themselves and the information for management) is processed in accordance with the established order of operations in order to obtain output results.



The transformation process in the controlled and control subsystems differs not only in inputs, but also in the elements of the transformation process and useful products (output).

A purposeful process takes place in the object, thanks to which individual elements are transformed into useful products. In other words, this process is a defined technology according to which the transformation of costs into products is completed.

*The organization is characterized by the cyclical nature of functioning. The output of the system provides the means for new investment, allowing the cycle to be repeated. The revenues received by the customers of industrial organizations must be adequate enough to pay for loans, workers' labor, and repayment of loans, if the cyclical nature is stable and ensures the viability of the organization.*

It is also worth emphasizing that organizational systems are prone to shrinking or falling apart. *If a closed system does not master develop and new investments from its external environment, it can shrink over time. In contrast, an open system is characterized by negative entropy, that is, it can reconstruct itself, maintain its structure, avoid liquidation, and even grow, because it has the ability to receive energy from the outside to a greater extent than it gives out.*

*Research shows that large and complex organizational systems tend to grow and expand further.*

*Each organization acts as an open system and is characterized by certain features and properties (Table 3.1).*

Table 3.1.

**Organization as an open system**

<b>Features and properties</b>	<b>Characteristics, justification</b>
<b>Components</b>	A system is made up of a number of parts called elements
<b>Connections</b>	The components of the system are interconnected
<b>Structure</b>	The form of communication is organizationally fixed in the structure
<b>Interaction</b>	The components influence each other by their stay in and out of the system, which is the result of mutual influence and interaction with the environment
<b>Process</b>	The changes that occur as a result of interactions are called processes
<b>Holism and emergent properties</b>	A system is a whole (Holism – English holos – Greek whole), which exhibits properties and arises only as a result of the interaction of its components
<b>Identification</b>	Properties of the system on the basis of which it can be identified and distinguished from other phenomena that are not part of the system
<b>Environment</b>	It is represented by phenomena, formations that, not being part of the system, significantly affect it. This is the environment of the system
<b>Conceptualism</b>	A system is a concept whose particular form reflects the goals and values of the individual or group that developed the concept

**6. Types of organizations in Ukraine**

*The forms of associations of enterprises in Ukraine are as follows: association, corporation, consortium, concern, holding company, industrial and financial group.*

*An association* is a contractual association created for the purpose of constant coordination of economic activities. The Association has no

right to interfere in the production and commercial activities of any of its members.

***The main characteristic features of the association are:***

- *the degree of centralization of functions is determined;*
- *creation of a specialized governing body of the Association for the participants, which is an information, coordinating center;*
- *attractiveness for the participant to combine activities in this association with participation in other associations and other business associations, while maintaining the entire balance of legal independence;*
- *the variety of coordination issues that are being addressed. The main function of the association is to provide members with the necessary internal and market information.*

Forms of entrepreneurship organization characterize the way entrepreneurs organize their business, how they interact with each other and with other participants in entrepreneurship. Forms of organization of entrepreneurial activity, which are defined legally, are called organizational and legal forms of entrepreneurship.

Any entrepreneurial activity takes place in certain organizational forms. The choice of the form of organization of entrepreneurial activity depends on personal preferences and tastes, but is mainly determined by objective conditions – the field of activity, the availability of funds, the advantages and disadvantages of the relevant forms of enterprises. To make the right choice, you need to know what you can choose from.

***The organizational unit of entrepreneurship is a firm or company.***

A ***firm*** is an enterprise, organization, institution that carries out economic activities in order to make a profit. Individual entrepreneurs and their associations can be represented as firms.

A ***company*** is an association of enterprises operating on the principles of partnership, corporation or other forms of business organization.

These are just generic names used in reference to any business. They reflect only the fact that the enterprises of the organization have the rights of a legal entity or an individual (citizens-entrepreneurs). ***However, the concepts of "firm" or "company" do not reflect the organizational and legal status of a business entity.*** Therefore, in addition to the name of the company, it is important for any entrepreneur to choose a specific organizational and legal form of his activity, that is, the unity of the organizational and economic principles of the business entity fixed by the rules of law.

***It is advisable to consider the features that distinguish one organizational and legal form from others: the*** number of participants in the created economic entity (association); who is the owner of the capital used; sources of property as a material basis of economic activity; limits of property (material) liability; the way profits and losses are distributed; form of management of a business entity.

***Three main organizational and legal forms of entrepreneurial activity are well known:***

1) *sole proprietorship*;

2) *partnership*;

3) *corporation. Let's take a closer look at these forms.*

***Sole proprietorship.*** Its essence lies in the fact that all the property of the company belongs to one owner, who independently manages the company, makes a profit and is fully personally responsible for all obligations of the company. Sole proprietorship has its advantages.

***In the first place,*** since all profits belong to the entrepreneur, he has a vital interest in efficient work. Concentration of profit in one hand makes it possible to directly use it in the interests of the business. In addition, the entrepreneur's profit in a market economy is considered as his individual income and is taxed only by individual income tax (and not by income tax, as in other cases).

***Secondly, the*** owner of the company has low costs for organizing production. His management decisions are immediately put into practice. It is not accountable to the co-owners or any governing bodies. The small size of the company allows the entrepreneur to maintain direct contact with his employees and customers. Complete independence is highly valued by entrepreneurs.

***Thirdly,*** individual entrepreneurship is characterized by simplicity in the organization of the company and its liquidation. In both cases, only the decision of the entrepreneur is enough.

***However, this form of entrepreneurship also has some disadvantages.***

1. It is quite difficult to attract large capitals, since the own financial resources of a sole proprietorship are mostly not enough to develop his business. Due to the low level of solvency, banks are reluctant to provide such entrepreneurs with large loans, demanding a higher fee for their use.

2. Full responsibility for debts. That is, in case of unsuccessful management, the sole owner may lose not only personal savings, but also all property that will be used to pay debts to creditors.

3. Lack of specialized management: the sole owner performs all management functions himself. In some cases, this has a negative impact on the efficiency of business activities. After all, not all people are capable of this.

4. Uncertainty of the terms of operation. Entrepreneurial activity of this organizational form is legally terminated in the event of bankruptcy, imprisonment for a criminal offense, mental illness or death of the sole owner (Figure 3.6).

Advantages	Disadvantages
A simple and inexpensive process	Unlimited liability of the owner in case of any financial crisis
Needs to comply with fewer government regulations	Boundaries to raise funds or capital
The owner has to pay the income tax only once a year	May have to pay higher taxes than a registered company in the future
The only recipient of the profits earned	Risk of wrong decisions or choices
Easy to operate and manage	Lack of scope for growth
Privacy of the business	Lack of future stability

***Fig. 3.6. Advantages and disadvantages of sole proprietorship***

***Partnership.*** *This form of business organization is a* logical continuation of the development of sole proprietorship. Such an organizational and legal form of entrepreneurial activity provides for the pooling of capitals of two or more separate individuals or legal entities under the conditions of distribution of risk, profit and loss on the basis of equality; joint control of business results; active participation in its management. The basis of the relationship between the parties entering into a partnership is a contract.

According to the degree of participation of the founders (partners) in the activities of the enterprise, it is customary to distinguish between the following companies: full (with full liability); limited; Additional and Limited Liability Companies.

***Let's consider what advantages a partnership has over sole proprietorships.***

Firstly, the financial capabilities of the company are growing as a result of the pooling of several capitals. Banks are bolder in giving loans to such firms.

Secondly, the management of the company is improving. Specialization in management appears, that is, the distribution of management functions between partners. In addition, there is an opportunity to hire professional managers.

Thirdly, great freedom and efficiency of economic actions.

Fourth, like sole proprietorships, partnerships enjoy tax benefits because each member's income is taxed as their individual income.

***However, this type of business organization has certain disadvantages, which is why it sometimes not only cannot overcome the imperfection of sole proprietorship, but also gives rise to new problems.***

1. The unlimited liability of any partnership may threaten all partners in the same way as the sole proprietor. The collapse of one of the partners can lead to the bankruptcy of the company as a whole, since in most cases the participants are jointly and severally liable.

2. Lack of experience in management and incompatibility of interests of partners can provoke ineffective activity, and collective management – inflexible management of the company.

3. The unpredictability of the process and results of the company's activities as an unstable organizational and legal form of



entrepreneurship significantly increases economic risk and reduces confidence in achieving the expected profit (Figure 3.7).

Advantages	Disadvantages
A partnership business is easy to form since very minimum legal procedures are required.	Partnership business has unlimited liability, which affects the financial property of the partners.
The partnership can be easily dissolved on insolvency retirement or death of a partner, and no legal procedures are required.	A partnership business is volatile since insolvency retirement, and the death of a partner can cause the business to end abruptly.
Division of work among the partners leads to efficient management.	The public has less faith and trust in partnership firms.
A partnership business is very flexible since it is free of government control.	Since the consent of all partners is needed, quick decision-making is not possible in partnership.

**Fig. 3.7. Advantages and disadvantages of partnership**

***A corporation is now the dominant form of entrepreneurial activity, its owners are considered to be shareholders who have limited liability in the amount of their contribution to the share capital of the corporation. All profits of a corporation belong to its shareholders. One part is distributed to shareholders in the form of dividends, the second is retained earnings used for reinvestment.***

***The advantages of a corporation are as follows (Figure 3.8).***

<b>Advantages:</b>	<b>Disadvantages:</b>
Liability protection similar to that of a corporation.	Cannot make public stock offering (there is no stock)
Pass-through taxation unless the company opts to be treated as a corporation	Some states may charge higher fees for Limited Liability Company formation and annual maintenance.
Very few restrictions on who can own an LLC (Limited Liability Company) or how many owners an LLC can have.	Transfer of ownership may be more difficult than with a corporation.
No annual shareholder's meeting required.	Some states may require newspaper publication of a notice of LLC formation in order to complete the formation process.
Less paperwork to maintain the corporate veil.	May not be suitable structure for certain types of businesses (requirements vary from state to state)

***Fig. 3.8. Advantages and disadvantages of the corporation***

Firstly, a corporation is the most effective form of business organization in terms of the real possibility of attracting the necessary investments. It is through the securities market (stock exchange) that it can unite capitals of various sizes of a large number of individuals and legal entities to finance modern areas of scientific, technological and organizational progress, and increase production potential.

Secondly, it is much easier for a powerful corporation to constantly increase the volume of production or services. This makes it possible to make an ever-increasing profit.

Thirdly, each shareholder, as a co-owner of the corporation, bears only limited liability (in case of bankruptcy of the company, he loses only the value of his shares). It is also important that an individual can reduce his or her own financial risk if he or she buys shares in several

corporations. Creditors can only make claims against the corporation as a legal entity, not against individual shareholders as individuals.

Fourthly, a corporation is an organizational and legal entity that can function for a very long period (permanently), which creates unlimited opportunities for long-term development.

***The corporate form of business organization, like all others, has disadvantages.***

1. There are certain discrepancies between the functions of ownership and control, which negatively affects the necessary flexibility of the operational management of the corporation. The separation of ownership and control functions can lead to social contradictions (conflicts) between managers and shareholders of the corporation.

2. A corporation pays higher taxes per unit of profit than other organizational forms of business. After all, the profit received by the corporation is subject to taxation first, and then the dividends of shareholders, that is, in fact, there is a problem of double taxation.

3. In the corporate form of business, there are potential opportunities for abuse by officials. For example, the management of a corporation can organize the issue of shares to cover losses caused by mismanagement of certain structural units.

## Chapter 4. Management functions

### Lecture plan

1. Classification of management functions.
2. Basic (general) functions of management.
3. Special management functions.



### 1. Classification of management functions

With the development of mankind, it became necessary to meet its growing needs, which was accompanied by a decrease in raw materials. This process provided for an increase in the efficiency of all types of activities on the basis of minimizing costs and optimizing results, which led to the division and specialization of labor, that is, the emergence of varieties of labor processes (functions).

There is no ambiguity in the definition of the essence of management functions, their classification and interpretation. Some authors classify the functions of management on the basis of their priorities of the organization's activities, others – according to the priority in application at certain levels of management. But everyone agrees that only a combination of functions can give concrete results.

*The technology of enterprise (organization) management is a continuous, dynamic, consistent, stable, changeable, purposeful process, which has a cyclical nature. It is formed due to the continuous*

flow of management functions, each of which is a component of this process.

**Management functions** are types of management activities that ensure the formation of methods of managerial influence.

**They were formed in the process of division and specialization of labor**, since any management processes at the enterprise occur on the basis of functional division.

**Management functions reflect the essence and content of management** activities at all levels of management.

**It is expedient** to classify functions on the basis of their place in the management system, which makes it possible to emphasize the dominant role of specific (partial) management functions and the important role of general (basic), as well as to allocate the unifying function:

- **general functions** (planning, organizing, motivating, controlling and regulating) are involved in all management processes;

- with the help of **specific functions**, specific management processes take place;

- **The unifying function of management – management** – absorbs all management processes in the organization.

**The decisive role is played by specific management functions**, which are implemented through general ones.

*A typical classification of management functions is given in the essay. 10.*

**Specific management functions are classified into:**

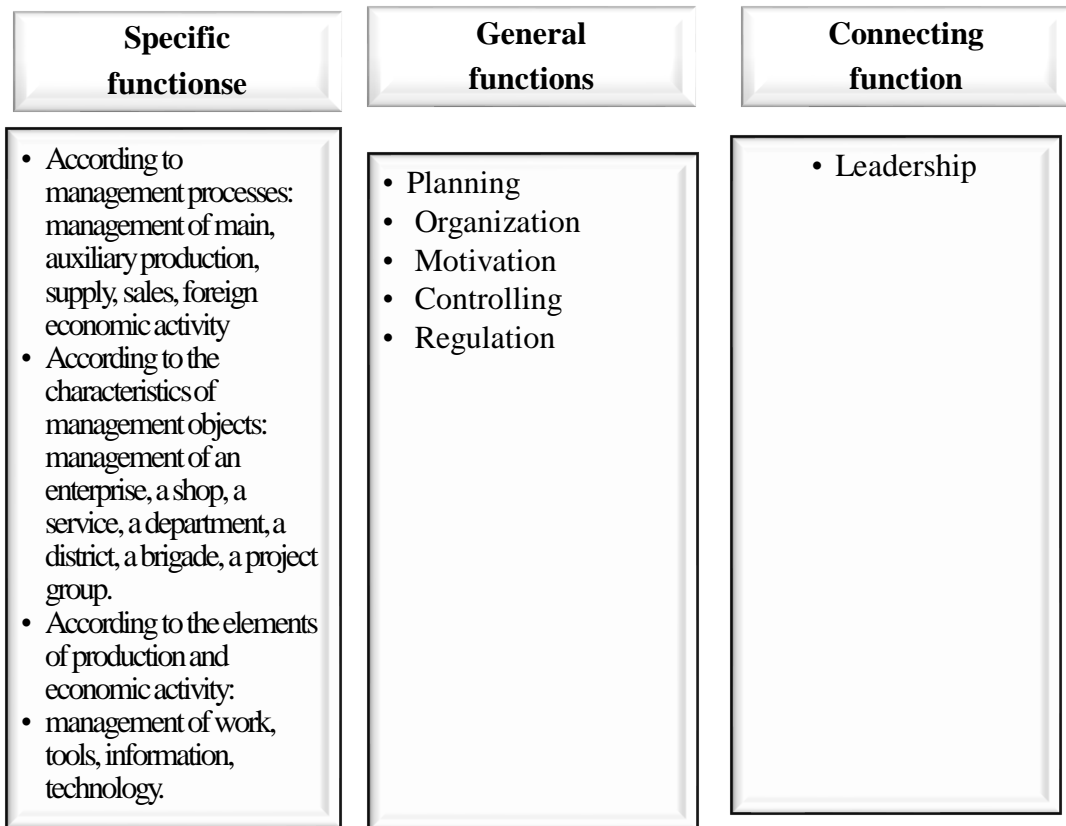
▪ *a feature of management processes* – the functions of management of the main, auxiliary production, technical training, material and technical support, patent and licensing activities, capital construction, foreign economic activity, etc.;

▪ *feature of the object* – management functions of an enterprise, workshop, service, department, section, brigade, project group, etc.;

▪ *A feature of the elements of production and economic activity* is the function of managing labor, objects and tools, information, etc.

*At the present stage of management development, general functions* include planning, organizing, motivating, controlling and regulating. In the *20s of the XX century. A. Fayol* singled out planning, organization, management, coordination and control. In the *former Soviet Union*, the functions of planning, organizing, coordinating, stimulating, regulating and controlling were distinguished.

*Attractive are the considerations of the American scholars Mescon, Albert and Khedouri*, who recognize four functions: planning, organizing, motivating and controlling. However, it is unjustified to abandon the function of regulation, since studies show that no management process can do without it.



***Fig. 4.1. Classification of management functions***

For example, after control, feedback takes place in order to eliminate deficiencies, deviations, failures, etc., i.e. regulation; In the process of strategic planning, after formulating the mission and defining the goals of the organization, choosing a strategy, it is mandatory to evaluate the developed strategy by comparing it with the goal of the organization. ***As for the coordination function, this important managerial lever is implemented in the form of leadership.***

## **2. Basic (general) functions of management**

***The functions of management should be understood as*** relatively separate areas of managerial activity (labor processes in the field of management), which provide managerial action. ***They reflect the essence and content of management activities at all levels of management.*** The management process is carried out through the implementation of certain functions. Determining the list of these functions is one of the most important tasks of management theory.

***Management is seen as a process*** because working to achieve a goal with the help of another is not a one-time activity, but a series of continuous, interrelated actions. These actions, each of which is a process in itself, are very important for the success of the organization.

These are called managerial functions. Each management function is also a process, as it consists of a series of interrelated actions.

***The management process is the sum total of all functions, namely: planning; organization; motivation; control.***

These four primary management functions are united by the linking processes of communication and decision-making.

***1. Scheduling Function Decides what the purpose of the organizations*** should be and what the members of the organization must do to achieve it. At its core, the ***planning function answers three main questions:***

***1. Where are we at the moment?*** Managers must assess the strengths and weaknesses of the organization in such important areas as finance, marketing, production, research and development, and human



resources. All this is done with the aim of determining what the organization can realistically achieve.

**2. *Where do we want to go?*** By assessing opportunities and threats in the environment, such as competition, customers, laws, political factors, economic conditions, technology, supply, social and cultural changes, management determines what may prevent the organization from achieving these goals.

**3. *How are we going to do it?*** Managers must decide, both in general terms and specifically, what the members of the organization must do in order to achieve the objectives of the organization.

Through planning, management tries to establish the main areas of effort and make decisions that ensure unity of purpose for all members of the organization. In other words, ***planning*** is one of the means by which management provides a unified direction of effort for all members of the organization to achieve its common goal. ***Planning in an organization is not a separate one-time phenomenon due to two significant reasons:***

**1.** Although some organizations cease to exist after achieving the purpose for which they were created, many of them try to continue their existence for as long as possible.

**2.** The second reason why planning must be carried out continuously is the constant uncertainty of the future. Due to changes in the environment or errors in judgment, phenomena may not develop as the management envisaged when developing plans. Therefore, plans must be revised to be consistent with reality.

**2. Organization.** To organize is to create a certain structure. There are many elements that need to be structured so that the organization can carry out its plans and thus achieve its goal. One of these elements is work, the specific tasks of the organization, such as the construction of residential buildings or the provision of life insurance. The Industrial Revolution began with the realization that the organization of work in a certain way allows a group of workers to achieve much more than they could without a certain The organization of work was the focus of the scientific management movement.

*Since people do work in an organization, the second important aspect of the organization's function is to determine who should perform each specific task out of a large number of those that exist within the organization, including management.*

The manager selects people for a specific job, delegating tasks and powers to individuals, or the right to use the organization's resources. These delegates take responsibility for the successful performance of their duties, thus they consider themselves subordinate to the manager.

**3. Motivation.** A leader should always remember that even well-defined plans and the most perfect structure of the organization are meaningless if someone does not do the actual work of the organization. And the *task of the motivation function is* to ensure that the members of the organization perform work in accordance with the responsibilities delegated to them and in accordance with the plan. Managers have always exercised the function of motivating their employees, whether they realize it or not.

In ancient times, a whip and threats were used for this, and rewards were used for a select few. From *the late eighteenth to the twentieth centuries, it was widely believed that people would always perform better* if they had the opportunity to earn more.

It was believed, therefore, that motivation was a simple matter that boiled down to the offer of appropriate monetary rewards in exchange for effort. This is the basis for the approach of pre-motivation of the school of scientific management.

Managers have come to the conclusion that motivation, that is, the creation of internal motives for action, is the result of a complex set of needs that are constantly changing. We now understand that in order to encourage his employees in the best possible way, a manager needs to identify what their needs really are and provide a means by which employees can meet those needs through conscientious work.

**4. Control.** Almost everything a leader does is future-oriented. The manager plans to have something by a certain time. During this period, many changes can occur. Employees may refuse to perform their duties according to the plan. A new strong competitor may appear on the market, which will complicate the realization of the company's goal.

*Control* is the process of ensuring that a goal is achieved. *There are three aspects of management control.*

*1. Standard-setting is the* precise definition of a goal to be achieved within a specified time frame. It is based on plans developed during the planning process.

2. *The second aspect is the measurement of what* has actually been achieved in a given period and the comparison of what has been achieved with the expected results. If both of these phases are performed correctly, then the management of the organization not only knows that there is a problem in the organization, but it also knows the source of this problem.

3. This knowledge is necessary for the successful implementation of the *third* phase, the stage in which actions are taken, if necessary, to correct serious deviations from the original plan. One possible action is to revise the goals so that they become more realistic and relevant to the situation.

### **3. Special management functions**

The implementation of specific (special) functions that reflect the process, object of management or element of production and economic activity occurs through the use of general functions (planning, organization, motivation, control and regulation). *The relationship between general and specific management functions*, their place in the process of managing an organization is shown. *General management functions are transformed from an abstract state into a* specific state only through the management of certain objects, processes, elements of production and economic activity. That is, they acquire the appropriate content, being involved in the implementation of specific management functions.

The functions of planning, organizing, motivating, controlling and regulating are considered general (basic) on the grounds that ***any other management activity is carried out through their consistent application, namely:***

- planning of the process, activity of the object, production and economic activity;
- organization of the process, activity of the object, production and economic activity;
- motivation of employees who carry out certain processes, ensure the operation of the facility, production and economic activity;
- control of the process, activity of the object, production and economic activity;
- regulation of the process, activity of the object, production and economic activity.

Based on the study of the relationship between the above functions, the management system is improved, an effective management system is formed, unnecessary links, bureaucratic obstacles are eliminated, and resistance to change is overcome.

***The relationship between specific and general management functions can be traced in Table 4.1.***

Table 4.1.

**Examples of the implementation of specific management functions through general functions**

<i>Specific Functions Management</i>	<i>Implementation of specific management functions through the application of General</i>
<i>Management Technical Preparation Production</i>	Planning of technical preparation of production. Organization of relevant services and subdivisions (design, technological departments, repair service, services of the chiefmechanic, chief power engineer). Stimulation of employees of technical preparation services. Monitoring the results of the technical preparation services (safety and reliability of equipment, the number of failures). Adjustment (correction of all deviations, deficiencies found in the technological process, equipment and equipment).
<i>Management Externally-Economic Activity Enterprise</i>	Planning of foreign economic activity. Organization of services and units engaged in foreign economic activity, recruitment of specialists with appropriate qualifications, etc. Motivation of employees engaged in foreign economic activity. Monitoring the results of work in thefield of foreign economic activity. Regulation consists in eliminating deviations, deficiencies, failures identified in the process of control.
<i>Management Technological line with Production pasta Products</i>	Planning the operation of the technological line. Creation of the necessary units (main production teams, repair team), appointment of officials (foreman, technologist). Development of systems of material and moral incentives for employees. Monitoring the results of work. Regulation through the elimination of deficiencies identified in the process of control.
<i>Management Department Frames</i>	Planning the work of the HR department. Formation of the organizational structure of the personnel department management and selection of employees with the necessary qualifications. Motivation of employees of the HR department. Monitoring the results of work (the results of the selection of the necessary specialists in the organization, the preparation of documentation in accordance with the norms established by law, the effectiveness of measures to improve the qualifications ofemployees). Regulation by eliminating the shortcomings identified in the control process regarding the management of the personnel department.
<i>Management Mechanical District</i>	Planning the work of the mechanical section. Building an organizational structure for the management of a mechanical section. Motivation of employees of the mechanical section. Monitoring the results of the mechanical section. Adjustment by correcting deviations detected during the control process.
<i>Management Sales Activity</i>	Sales planning. Organization of relevant services, divisions (sales department, marketing department). Incentives for employees engaged in sales activities. Control of the results of sales activities (sales volumes, volumes of products in warehouses). Adjustment (elimination) of deviations detected in the process of control.

***Common functions are abstract.*** They turn into real management activity only when they are used to implement specific

management functions. Therefore, general functions are considered as the basis for the implementation of any management process.

The analysis of the management process from the point of view of its functions is of great importance, because it makes it possible to determine the scope of work for each function, to design a rational structure of the enterprise management apparatus, to determine the number of management personnel.

## ***Chapter 5. Scheduling function***

### ***Lecture plan.***

1. The essence of planning as a management function.
2. Objectives of management planning.
3. Strategic planning.
4. General characteristics of business planning.



#### **1. The essence of planning as a management function**

***For the collaborative efforts of the organization's employees to be successful, they must know what is expected of them. To do this, you need to:***

- formulate the goals to which the organization aspires;
- identify ways to achieve the set goals;
- Based on this, set tasks for the organization's divisions and specific performers.

***All this together characterizes in a broad sense the essence of the planning function.*** The following definition of the function of planning can be given: planning is the process of determining the goals of the organization and making decisions on how to achieve them.

***The essence of the planning process is to find answers to three key questions:***



- Where is the organization at the moment (what is the state, what is the situation)?

- What does the organization want to achieve (where is it headed)?

- How does an organization get from where it is to where it wants to be?

***Planning is the primary among the other management functions,*** since the decisions made in the process of its implementation determine the nature of the implementation of all other management functions. The sub-functions of planning include: goal setting, forecasting, modeling, programming.

The purpose of planning is to create a system of planning documents that determine the content and a certain procedure for ensuring the long-term existence of the organization.

***Schematically, the planning process in an organization can be represented as a sequence of the following stages:***

1. Establishing the goals of the organization's activities that determine the expected or desired state of the organization.

2. Development of the organization's strategy – direct elaboration of the ways in which the organization will achieve the expected results.

3. Giving the strategy a concrete form is the implementation of the strategy of transforming the strategy into concrete actions of the organization. This stage is carried out through the development of support plans and budgets.

*In practice, there are many criteria for classifying an organization's plans. The most commonly used of them are the following:*

*- according to the criterion of the breadth of the area covered, a distinction is made between strategic and operational plans;*

*- according to the criterion of the planning time horizon, plans are divided into long-term and short-term;*

*- According to the degree of concretization, tasks and benchmarks are distinguished.*

**Strategic plans** are plans that define the main goals of the organization, the strategy for acquiring and using resources to achieve these goals.

**Operational plans** are plans in which the strategy is detailed in calculated indicators for the short term.

**Short-term plans** are plans that are made for a period of up to one year. As a rule, they do not change.

Long-term plans are plans designed for a period of three to five years. These plans should take into account changes in the external environment of the organization and respond to them in a timely manner.

**Objectives** are plans that have clear, unambiguous, and specific goals. They cannot be interpreted ambiguously (to increase production by 3% per year).

**Landmarks** are plans that are in the nature of a course of action. Their use is expedient under conditions of uncertainty of the

environment, high probability of unpredictable changes that require flexibility of management. They determine the course of action, but do not tie management to rigid specific goals, that is, they provide within certain limits freedom for maneuver (increase production by 3-4% per year).

## ***2. Objectives of management planning***

A ***goal*** is an end state that an organization aims to achieve at a certain point in the future (an ideal representation of the future boundaries of the firm).

***Properly formulated organizational goals must meet the following requirements:*** goals must be specific and measurable; goals should be time-oriented; goals should be realistic, achievable, and not exceed the capabilities of the organization; goals should be non-contradictory, coherent, interrelated; Goals should be formulated in writing.

Goals, formulated taking into account these requirements, act as a kind of standards with the help of which the manager can draw conclusions about the effectiveness of his future practical activities.

Any organization has many different goals, the totality of which forms a complex structure. This implies the need to classify goals. The goals of the organization can be classified according to several criteria (**Table 5.1**).

**Global goal** – characterizes the view of the reason for the existence of the organization from the point of view of society. A global goal is an idea of the social purpose of an organization.

**The mission of the organization characterizes the view of the reason for the existence of the organization** from the point of view of the organization itself. The mission details the status of the organization, provides guidelines for determining its tasks.

**An organization's objectives** are the organization's statements about how, by what means, it is going to accomplish its mission. The tasks of the organization are formulated in specific performance indicators and are designed for certain deadlines. They are organization-specific ways to accomplish the mission. Organizations tend to set multiple objectives.

**Setting goals is the first phase in the planning process.**

Therefore, the effectiveness of planning largely depends on the quality of the implementation of this phase.

*Table 5.1.*

**Classification of the organization's goals**

<b>Classification criteria</b>	<b>Types of organizational goals</b>
<b>1. Level of abstraction</b>	1.1. Global Goal 1.2. Mission of the organization 1.3. Tasks of the organization
<b>2. Object of focus</b>	2.1. Financial goals 2.2. Production-related goals 2.3. Goals related to the organization's market 2.4. Personnel-related objectives 2.5. R&D-related objectives
<b>3. Degree of openness</b>	3.1. Officially Declared Goals

	3.2. Unofficial purposes (closed, secret)
<b>4. Organizational level</b>	4.1. Organization-wide goals 4.2. Divisional goals 4.3. Group goals 4.4. Individual goals
<b>5. Time Interval</b>	5.1. Short-term goals 5.2. Medium-term goals 5.3. Long-term goals

Any management involves the achievement of goals – and in this context, it is targeted. *The goal-oriented approach to* management is expressed in several concepts: "results-based management", "program-target management", "strategic management", etc.

One of the most common ways in practice to set goals and evaluate the performance of managers is the so-called "**management by objectives**" (MBO).

According to the concept of MBO, the general organizational goals can be divided into several smaller goals of individual structural units of the organization, which, in turn, can be transformed into the goals of individual groups and divisions and further divided into the goals of the activities of individual performers. At the same time, the goals of each performers should contribute to the achievement of the goals of his leader. As a result, the so-called cascade of goals of the organization is formed. If each performer achieves the set goals, then the group of workers, the structural unit of the organization, and the organization as a whole achieve their goals.

*So, the essence of the concept of MBO is to:*

*a) determine the purpose of each employee of the organization;*

*b) ensure the interconnection of such goals;*

*c) to ensure that each contractor achieves the goal set for him.*

Unlike the traditional goal-setting process, in the MBO process, goals for subordinates are not set by the manager alone (they are not imposed on subordinates). In the process of MBO, the manager and the subordinate cooperate, determining the goals of the subordinate's activities. At the same time, it is understood that the degree of achievement of the goal will be the main criterion for evaluating and rewarding the activities of the subordinate.

The process of MBO, in other words, is considered as giving a "voice" to a subordinate in the process of setting goals and clearly defining the results of his activities for a certain period of time. The boss and the subordinate jointly choose the goals of the subordinate's activity and "agree" on how their achievement will be measured.

*A necessary component of MBO is the availability of feedback.* Ideally, MBO requires the establishment of continuous feedback, that is, one when the worker independently monitors and corrects his own actions without external intervention. This process of self-control is complemented by a periodic evaluation of the work of the subordinate at the establishment of his reports.

The MBO process consists of several interrelated stages, each of which, in turn, includes several steps (Table 5.2).

Table 5.2.

**Goal-based management process**

<b>Stages of the management process</b>	<b>Steps for each stage</b>
<b>1. Setting Goals</b>	1.1. Formation of long-term goals, strategy of the organization 1.2. Development of specific organization-wide goals 1.3. Definition of divisional and group goals 1.4. Definition of individual goals
<b>2. Action Planning</b>	2.1. Identification of actions (tasks) to achieve goals 2.2. Establishing relationships between these actions 2.3. Delegation of authority and definition responsibility for the performance of actions 2.4. Determining the time required to perform actions 2.5. Determining the resources required to perform actions
<b>3. Self-control</b>	3.1. Systematic tracking and evaluation of progress goals by the workers themselves without external interference
<b>4. Periodic Reporting</b>	4.1. Assessment of the progress of the achievement of goals by the manager 4.2. Assessment of the achievement of the overall goal and strengthening of impact

*Advantages of MBO: The MBO process makes the organizational structure of the organization's management more understandable. Through the use of MBO, organizational roles and structures become*

*clearer. It clearly defines who is responsible for what in the process of achieving the overall goal of the organization.*

The MBO process provides targeted motivation for employees. The MBO process evokes a sense of personal interest in the results of activities. Workers personally participate in the process of setting the goals of their activities, have the opportunity to "invest" their ideas in the elaboration of goals, clearly know the scope of their competence and receive help from the boss.

The MBO process helps to develop effective methods of control (the result is rewarded, not the process of activity).

***Disadvantages of MBO:*** It is sometimes difficult for managers to set quantifiable performance goals for each subordinate. MBO requires: setting short-term goals; significant bureaucracy; highly qualified personnel.

### **3. Strategic Planning**

In a broad sense, ***a*** strategy is an interrelated set of measures to increase the viability of an organization. In practical terms, the following definition of strategy is most often used. ***Strategy*** is a general long-term program (or image) of actions and the order of distribution of priorities and resources of the organization to achieve its goals.

How does strategy development affect the performance of the organization? To survive in the business world, you need to always "look around": observe the changes in the environment, see what others



are doing, and, if necessary, be able to adapt to changes. The more frequent changes occur in the external environment of the organization, the more urgent is the need to develop a strategy. If there is no unified strategy in an organization under such conditions, it is possible that different departments of the organization will make contradictory and ineffective decisions. To avoid such a situation, a strategy is being worked out.

***The main elements that make up a strategy are:*** scope of strategy; allocation of resources; competitive advantages; synergy.

***The scope of strategy is the means of adapting the organization to its external environment. This means that the*** strategy should determine such means of interaction of the organization with its external environment, which would take into account both the favorable opportunities of the environment and the threats that emanate from it; allowed the organization to achieve its goals under such conditions.

***Resource allocation*** is a guideline on how to allocate an organization's limited resources to individual departments. This means that the strategy should define the divisions of the organization: where resources are directed (promising units); where resources are taken from (low- or unpromising units).

***The proportions of resource allocation are determined by the choice of area strategy.***

***Competitive advantage*** is the definition of an organization's advantages over its competitors. This means that the strategy should contain information about the strengths of the organization, which it

will rely on in its activities. Competitive advantages derive from the scope of strategy and the corresponding allocation of resources to the organization.

***Synergy is the effect*** of integrity. Synergy as an element of the strategy means that the strategy should take into account the possibility of obtaining an additional effect through the integration of all the capabilities of the organization. The synergistic effect arises as a result of the integrated implementation of all previous elements of the strategy.

***There are three main levels of strategies:***

- *company-wide strategy;*
- *business strategy;*
- *functional strategy.*

At the level of the entire organization, its top management is working out ***a company-wide strategy. It has to find answers to the question: "What kind of business does the organization intend to engage in?"*** The *company-wide strategy determines*: the mission of the ***organization***, the types and markets of its activities, the ***desired growth and profitability***. Thus, the main elements of the ***general corporate strategy are: the scope of strategy and allocation of resources.***

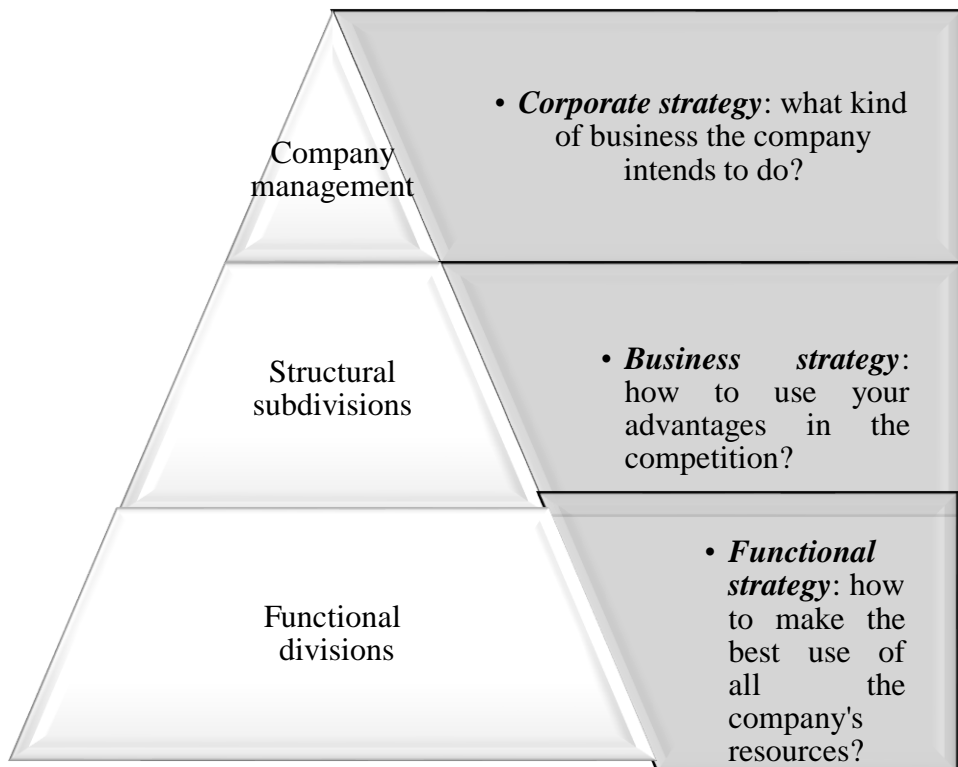
On the basis of the general corporate strategy, a business strategy is developed. It is a further detailing of the general corporate strategy, but focused on a specific structural unit of the organization.

***Business strategy is aimed at ensuring the competitive advantages of a given structural unit in a certain market or in a certain industry.***

**Functional strategy.** The organization is managed by functions (production, marketing, finance, accounting, etc.). Functional services of the organization work out

strategies for the optimal use of the organization's resources as a whole for certain functions, and not for individual structural units.

*All three levels of strategies are tightly interconnected and together form the so-called pyramid of strategies* (Fig. 11).



**Fig. 5.1. Pyramid of strategies**

*In a simplified form, the strategy development process includes several stages, which are implemented in the following logical sequence:*

***1. Definition of the company's mission. The mission of the company*** is its main purpose, a clearly formulated reason for its existence, which form the main directions and guidelines of its activities.

The mission of the company outlines the boundaries of the organization's business, allows you to imagine the capabilities of the company and determine what you do not need to waste effort on. In practice, the mission of the company is formulated in the process of finding an answer to the question: "What kind of business does the company intend to engage in?"

In the words of P. Drucker: "Business is not determined by the name of the company, its status or the form of organization. It is defined by the desire to satisfy the consumer when he purchases a product or service. So, the question: "What is my business like?" can be answered correctly if you look at it from the other side, from the point of view of the consumer and the market."

Thus, the ***mission of the firm should be sought outside of it, in its consumers and the market in which it operates.***

Having formulated the mission, the organization seems to find its own special path in business, which distinguishes and distinguishes it from competitors. But along the way, as a rule, there are obstacles and dangers. The better an organization sees them, the more likely it is to succeed.

*To identify obstacles and dangers, two steps of strategic planning are performed: external and internal analysis.*

**2. External analysis is the process of evaluating factors external to the organization.** External factors are understood as all those conditions that objectively arise in the environment of the organization's functioning and which it is not able to influence.

***External analysis has a dual purpose:***

- identify opportunities, i.e. factors that can contribute to the achievement of the organization's goals;
- identify threats and dangers to the organization, i.e. external conditions that limit the organization's ability to move towards the established goal.

***To study the influence of external factors, their totality is divided into:***

***a) global factors*** (conditions and trends that are formed in the macro environment of any organization): general economic, social, demographic, political, legal, natural, international, etc.;

***b) industry factors*** (a set of organizations that produce products or services that are able to replace each other in terms of consumer qualities and directions of their use).

Of course, it is quite difficult *to assess the future impact of global factors* on the activities of the organization. *At the same time, the very attempt to conduct such an assessment forces the managers of the organization to think about the problems that may befall the organization, carefully consider their behavior in case of their occurrence, and also work out all ways to solve them.*

Industry factors are much easier to forecast and evaluate. They are more defined, more closely related to a specific business.

***As part of the sectoral analysis, the following factors should be evaluated:***

*a) consumers (market size and characteristics, market growth rate, nature of demand (seasonality and cyclicity), product differentiation, price sensitivity, consumers' ability to dictate their prices);*

*b) suppliers (intensity of competition between suppliers, availability of substitute materials, level of vertical integration with suppliers, ability of suppliers to dictate their prices);*

*c) competitors (the main competing forces in the industry, the distribution of the market among them, the intensity of competition in the industry, competitive advantages in the industry, etc.);*

*d) technology (the degree of variability of the technology of production of a given product, the impact of a change in technology on the quality of products, the possibility of obtaining additional benefits due to a change in technology, the impact of a change in technology on prices).*

*Any business is characterized by many indicators **that can be managed and controlled** (production volumes, product sales, product sales channels, quality level, price level, etc.).*

**3. Internal analysis** is the process of evaluating factors that are subject to management and control by the firm, that is, factors that "grow" within the organization itself and are the result of the actions or inactions of its management.

*The main task of internal analysis* is to identify the strengths and weaknesses of the organization.

*Strengths* are special, unique, original properties of an organization, or at least qualities that distinguish it from competitors. Such qualities are relied on in the business of the company.

*Weaknesses* are the qualities that an organization lacks in an unsuccessful competitor.

There are many different aspects of activities that determine the strength and power of an organization. In order to streamline the process of their evaluation, in practice, the form of the balance sheet is often used (Table 5.3).

Table 5.3

**Strengths and weaknesses of the organization**

<i>Strengths (+)</i>	<i>Weaknesses (-)</i>
Specific, special qualities of the company in the field of:  marketing,                      production, personnel, finance, research and development.	What qualities does the company lack in the field:  marketing,                      production, personnel, finance, research and development.
Unique knowledge: patents, know-how, trade secrets, trade secrets.	What resources are scarce for the company.
Original Resources Used  Organization.	

*The balance sheet asset* reflects the presence of unique, special, specific qualities of the organization, grouped by the main functions.

*The liability of the balance sheet* with maximum objectivity should include internal factors that limit the competitiveness of the organization.

*Finding out the strengths and weaknesses of the organization allows you* to identify areas of: increased priority attention (weaknesses); areas that can be relied on in business in the process of working out its strategy (strengths).

*The process of external and internal analysis ends* with a comparative *SWOT analysis*.

*SWOT* is an *abbreviation of four English words*:

*S* – strength – strength,

*W* – weakness,

*O* – opportunities – opportunities,

*T* – threats.

*SWOT analysis is based* on a comparison of the strengths and weaknesses of the organization, potential business opportunities and threats from the external environment.

*Comparative SWOT analysis is carried out in the process of searching for answers to the following questions*:

*How do the organization's main problems relate to its strengths and weaknesses, as well as to favorable factors and threats to the external environment?*



*What is the most effective way to use the firm's strengths and favorable external factors to solve the main problems of the organization?*

*How to eliminate or minimize the impact of weaknesses and external threats on the organization's business?*

***In the process of SWOT analysis, pairwise combinations of all components of SWOT analysis are also investigated in order to:***

*- search for positive synergies: strengths / favorable external factors;*

*- elimination of negative synergies: weaknesses / external threats.*

***4. Determination of the goals of the organization.*** The formulated mission of the organization determines its special path in business, the direction in which it will move. External and internal analysis

show what the organization may encounter on the way: what will help and what will hinder its activities. However, it is also necessary to know to which specific "point" the organization is heading and when, in what terms it will reach there. To find answers to these questions, short-, medium- and long-term goals of the organization are determined. ***In the process of developing a strategy, the goals of the organization are usually formed in the following areas:***

*- profitability (can be reflected using various indicators: profit volumes; return on invested capital; profit to sales, etc.);*

*- productivity (costs of production per unit of production; labor productivity);*

- *products (changes in nomenclature and assortment; introduction of new types of products);*

- *market (product volumes; market share owned by the company, etc.);*

- *production facilities;*

- *personnel (reduction of turnover; improvement of qualifications).*

The effectiveness of setting the goals of the organization's activities depends on: how correctly the goals are formulated; how widely the organization's staff is informed about them; as their achievement is stimulated.

**5. Analysis of strategic alternatives and choice of strategy.** To achieve the same goal, different methods can be used. Therefore, *two questions arise: by what means can the goal be achieved? Which of these methods is the best?*

Answering these questions, the management of the organization works out several options for the strategy and chooses the most acceptable option among them. At the same time, the organization purposefully focuses on the use of its own advantages.

#### **4. General characteristics of business planning**

In a market economy, a business plan is a working tool for existing firms, which is used in all areas of entrepreneurship. ***A business plan encourages the entrepreneur to scrutinize*** every element of the

supposed risky market business. Surely in this process there will be many weaknesses, the elimination of which will have to be given significant attention.

***The purpose of developing a business plan*** is to plan the economic activities of the company for the near and distant periods in accordance with the needs of the market and the possibilities of obtaining the necessary resources. ***A business plan helps an entrepreneur to solve the following main tasks:***

- determine the specific areas of the company's activities, target markets and the company's place in these markets;
- formulate the long-term and short-term goals of the company, the strategy and tactics for achieving them, determine the persons responsible for the implementation of the strategy;
- choose the assortment and determine the set of goods and services that will be offered by the company to consumers, estimate the production and trading costs of their creation and sale;
- to identify the compliance of the existing personnel of the company, the conditions of motivation of their work, in accordance with the requirements for achieving the set goals;
- determine the stages of the company's marketing activities for market research, advertising, sales promotion, pricing, sales channels;
- assess the financial position of the company and the compliance of the available financial and material resources with the ability to achieve the set goals;

- foresee difficulties, "pitfalls" that may interfere with the practical implementation of the business plan.

*The main advantage of business planning is that a properly drawn up plan gives a perspective for the development of the company, that is, in the end, it answers the most important question for a businessman: whether it is worth investing in this business, whether it will bring income, whether all the costs of effort and resources will pay off.*

*The need for a business plan arises when solving such urgent problems as:*

- *preparation of applications for loans of existing and newly created companies;*

- *substantiation of proposals for privatization of state-owned enterprises;*

- *opening a new business, determining the profile of the future company and the main directions of its commercial activities;*

- *re-profiling of an existing company, selection of new types, directions and methods of commercial operations;*

- *preparation of prospectuses for the issue of securities (shares and bonds) of privatized and private firms;*

- *access to the foreign market and attraction of foreign investments.*

*A business plan is a promising document and it is recommended to draw it up at least 3-5 years in advance. For the first and second years, it is recommended to give the main indicators in a quarterly breakdown*

(if possible, even monthly). Starting from the third year, you can limit yourself to annual figures.

*The main recommendations in the preparation of a business plan are brevity, that is, the presentation of only the most important from each section of the plan; accessibility of reading and understanding, that is, a business plan should be understandable to a wide range of people, not just specialists. A business plan should be convincing, concise, and arouse the interest of the reviewer. Only by attracting the interest of a potential investor, an entrepreneur can hope for the success of his business.*

*A business plan consists of the following sections.*

*Chapter 1. Introduction (general characteristics of future activities)*

*Chapter 2. Characteristics of goods (services)*

*Chapter 3. Markets for goods (services)*

*Chapter 4. Competition in sales markets*

*Chapter 5. Marketing Plan*

*Chapter 6. Production plan*

*Chapter 7. Organizational plan*

*Chapter 8. Legal support of the company's activities*

*Chapter 9. Risk Assessment and Insurance*

*Chapter 10. Financial plan*

*Chapter 11. Funding Strategy*

*When developing a program, the focus and areas of activity of the company are clearly defined. The boundaries of these areas are the*

*goods produced, existing markets or their segments, and the technological capabilities of the company.*

***A standard business plan includes the following summaries:***

*- general description of the company (products and services, management and organization, capital and legal form of the company);*

*- marketing plan;*

*- production plan;*

*- financial plan;*

*-Applications.*

This content is of a recommendatory nature, which can be expanded and deepened depending on the type of enterprise, the level of planning, strategy and the industry in which the organization operates.

***A reasonable list of actions to approve the development of a strategic plan includes:***

*1. Preparation for work. Analysis of the level of planned work; identification of problems and setting goals; identification of planning issues; formation of a group of specialists to perform this work; issuance of an order or instruction on the performance of work.*

*2. Information support. Establishment of requirements for information and its sources; identification of channels and registration of access to information; determination of lists and types of information; collection and coding of information; verification of the reliability of information; filtering and qualitative analysis of information.*

3. *Identification of product competitiveness.* Market research; determination of trends in the sale and production of products for 510 years; identification of macro- and micro-environment factors that affect the competitiveness of marketable products, market segmentation; structuring of the problem and substantiation of the main indicators of competitiveness of new products.

4. *Resourcing. Determination of resource intensity of products; analysis of the conditions for the implementation of goals; forecasting the needs and prices for various types of resources; forecasting the capabilities of the manufacturer and consumer of products; balance of needs and opportunities.*

5. *Ranking goals.* Formation and coordination of standards for improving environmental, ergonomic, technical and economic indicators of new products; determination of priorities and priority for the implementation of goals; ordering goals by hierarchy levels; determination of ultimate goals.

6. *Formation of tasks. Clarification of the composition of executors and co-executors of tasks; formation of tasks and deadlines for specific performers; adoption of execution and control plans; personnel training.*

7. *Registration of planning documents. Selection of the form of the planning document; conducting a feasibility study; registration, coordination and approval of the planning document; replication and communication of the adopted plan to the executors.*

8. *Implementation, control and motivation of plans.* Issuance of an order on executors; accounting, control and motivation for the implementation of planned tasks in due time; organization of regulation of adopted plans according to the requirements of consumers and innovations in the industry.

***Implementation of strategic plans requires high qualification of performers, the use of scientific approaches, planning principles and modern technical means of automation.***



## Chapter 6. Organization as a management function

### Lecture plan

1. The essence of the organization's function
2. Fundamentals of Organization Theory
3. Fundamentals of Organizational Design
4. Types of organizational management structures



### 1. The essence of the organization's function

In the process of studying this Chapter, it is important to understand the essence of the three key categories: "organization", "organizational process (activity)", "organizational structure". They are closely related but not synonymous.

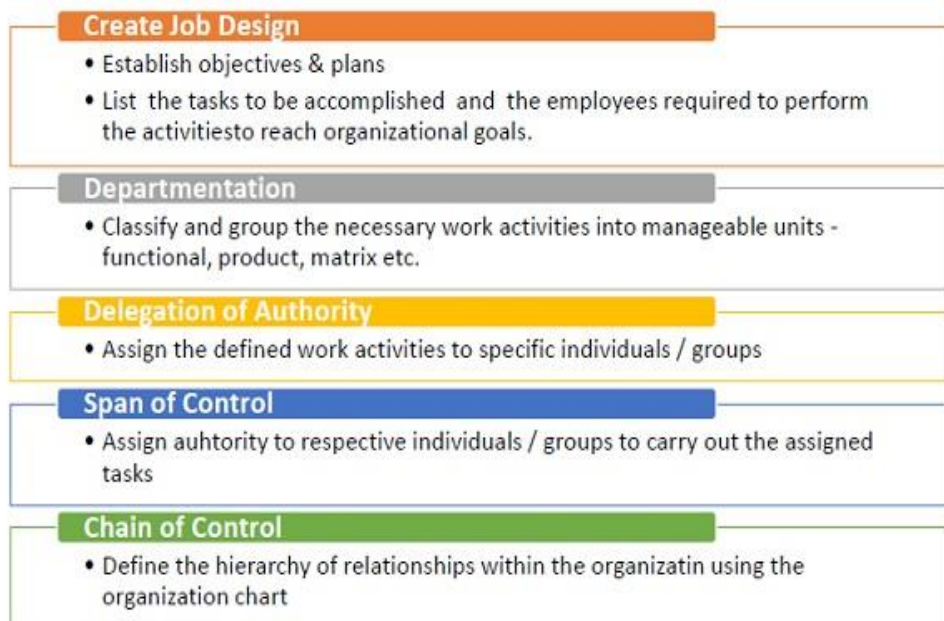
*Organization is the process of* dividing, grouping, and coordinating work, activities, and resources to achieve goals. The implementation of the organization's function is carried out in the process of organizational activity.

*Organizational activity is the* process of eliminating uncertainty between people about work or authority by a manager and creating an environment suitable for their joint activities.

*The main components of the organizational process* (organizational activity):

- a) division of **labour** – division of the general work into separate components, sufficient to be performed by an individual worker in accordance with his qualifications and abilities;
- b) **departmentalization** – grouping of works and activities into certain blocks (subdivisions: groups, departments, workshops, etc.);
- c) **delegation of authority** – subordination of each such unit to the head, who receives the necessary powers;
- d) **establishing a range of control** – determining the number of employees directly subordinate to a given manager;
- e) creation of coordination **mechanisms** – ensuring vertical and horizontal coordination of works and activities.

The organizational process is a rather complex activity. This is clearly confirmed by Figure 6.1, which presents the ranges of possible solutions within the framework of organizational activities.



**Fig. 6.1. Ranges of decisions in the process of organizational activity**

The end result of organizational activity is the *choice of a certain position in the ranges of all elements of organizational activity*.

Such a choice ultimately forms *the organizational structure*.

*Organizational structure in management theory* is defined as an abstract category *characterized by three organizational parameters: degree of complexity; degree of formalization; degree of centralization*.

*Complexity is the number of distinct features of an organization*.

The more vertical levels in the management hierarchy and the number of departments at the same level, the more difficult it is to coordinate the activities of the organization.

*The degree of formalization* is the degree to which an organization relies on rules and procedures to guide the behavior of its employees. The more rules and regulations an organization has, the more formalized the structure of the organization is.

*Centralization* is the place where decision-making power is concentrated. If all or most of the decisions are made by senior managers, then the organization is centralized.

*Decentralization* is the transfer of decision-making power from higher levels of government to lower ones.

## 2. Fundamentals of Organization Theory

*According to the criterion of time in the development of the theory of organization, the following are distinguished:*

- 1) *classical (hierarchical) theory of organization;*
- 2) *neoclassical (behavioral) theory of organization;*
- 3) *modern (situational) theory of organization.*

***The classical theory of organization is based on the results of research by A. Fayol and M. Weber.*** Thus, A. Fayol formulated 14 universal principles of management. As a result of empirical analysis, M. Weber formulated the concept of ideal bureaucracy. Weber saw bureaucracy as a normative model, an ideal that all organizations should aspire to. According to Weber, an ideal bureaucracy *has the following main characteristics:*

***1) a high degree of division of labor*** (the operation must be performed by a specialist);

***2) a clear management hierarchy*** (each lower level is controlled by a higher level and is subordinate to it);

***3) numerous rules, standards and performance evaluation indicators*** (development of a set of rules and standards in the organization for all performers of work);

***4) the "spirit of formal impersonality"*** (managers must manage the business in the absence of sympathy and preference for individual employees);

***5) Recruitment should be carried out exclusively on the basis of the business and professional qualities of each employee.***

***The strengths and weaknesses of Weber's model are shown in Table. 6.1.***

Table 6.1

***Strengths and weaknesses of the ideal bureaucracy***

<b><i>Strengths</i></b>	<b><i>Weaknesses</i></b>
<p>1. Characteristics such as:- a high degree of division of labor;- a clear hierarchy of power;- formal selection of personnel;- significant formalization of the choice increase efficiency</p> <p>2. Simplification of the essence of the organization process</p>	<p>1. Rigidity, stability and inflexibility of the model;</p> <p>2. Ignoring social processes;</p> <p>3. The thesis of formal impersonality is not realistic</p>

The *focus of the neoclassical (behavioral) theory of organizations is on the person, socio-psychological relationships, individual and group relationships.*

*Professor R. Likert of the University of Michigan came to the conclusion that organizations that focused on a bureaucratic model are less effective. He proposed to characterize organizations using eight key characteristics:* leadership processes; motivation processes; communication processes (formal and informal); interaction processes (manager – subordinate; subordinate – manager); decision-making processes (top, bottom); goal-setting processes (involvement of subordinates); control processes (rigid, frequent, and vice versa); goals achievement processes (evaluation of work to achieve goals).

*Modern organization theory (situational approach)* considers the organization as an open system that constantly interacts with the external environment to which it must adapt. On the

Unlike the previous ones, the current theory is based on the fact that there is no ideal model to which all organizations should aspire.

*The best structure of the organization will be the one that most fully takes into account the influence of situational factors that are characteristic of this organization.*

*The main situational factors* that affect the organizational structure are: technology; size of the organization; environment; strategy.

Each of these factors influences the formation of the organizational structure not only directly, but also indirectly, that is, through their mutual influence on each other.

*Technology* is the process of converting inputs to an organization (resources) into outputs. This understanding allows us to use this category to characterize any organization, and not just a production one.

*Research related to the study of the "technology-structure" relationship was conducted by Joan Woodward, who identified three types of technologies:* unit production, mass production, process (continuous) production.

There is a close relationship between the type of technology and the organizational structure. The effectiveness of the organization depends on how the structure of the company corresponds to the technology used. *There is no "ideal" organizational structure for a firm.*

*The organic principle of building an organizational structure contributes to the effective work* of organizations that use the technologies of unit and process production, and the bureaucratic (mechanistic) principle is suitable for organizations with the technology of mass production.

*The size of the organization.* Scientists at Aston University from Birmingham studied a wide range of organizations *in order to determinethe impact of technology and the size of the company on its structure.* Based on the results of *their research, they came to the following conclusions: technology* had a strong *impact on the structural characteristics only in small firms.*

*In large firms, the close link between technology and structure disappears.* A strong influence on the structure in this case was exerted by the size of the organization, *from the point of view of theory, an increase* in the size of the organization means a deepening of the processes of division of labor (specialization).

*Environment.* The influence of the environment on the organizational structure depends on its following *characteristics:*

- *complexity of the environment* - determined by the number of its components that affect the organization, and the intensity of interaction between them;

- *dynamism of the environment* - characterized by the number of changes in the environment per unit of time and the similarity of changes;

- *uncertainty of the environment* – determined by the quantity of information about the components and changes in the environment, as well as the quality and certainty of such information.

***The first study of the relationship between environment and structure was conducted by T. Barnes and J. S. Barnes. Stalker.*** They identified two extreme types of environment: stable (which remains relatively constant over time) and unstable (characterized by uncertainty and rapid change).

They found that organizations that function in a stable environment usually have a mechanistic structure that differs from the organic structure that organizations have in an unstable environment.

***The mechanistic structure*** is very similar to the bureaucratic model of M. Weber. Operating in a stable environment, organizations structure their activities in predictable ways – through rules, specialization of work, and centralization of power.

***The organic structure*** is more suitable for an unstable environment. Constant changes in the environment require a higher level of its mobility (flexibility).

### **3. Fundamentals of Organizational Design**

The implementation of the organizational function (organizational design) consists of interrelated stages.

**1. Division of labor** – the process of dividing the overall work in an organization into individual tasks is actually a ***specialization***.



**Specialization** means clarifying the essence and content of each job in an organization. This process is called **work design** and has the following specific outcomes: work specifications; job descriptions; qualification characteristics.

The work design process consists of **two stages**:

- a) analysis of works (analysis of production operations);
- b) own design of works.

**The analysis of the works** reveals the following three main aspects of the work:

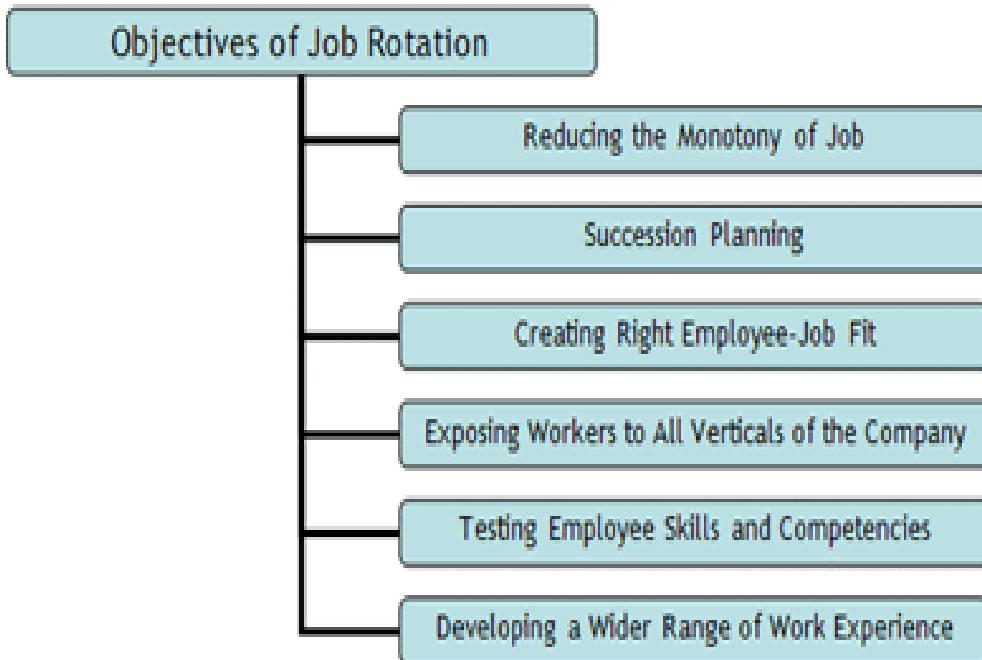
- *the content of the work* (tasks and activities that should be performed within its limits);
- *job requirements* (education, experience, work experience, availability of the appropriate degree, license, skills, abilities, etc.);
- *the environment of implementation* (working conditions, degree of responsibility, degree of control by the boss, degree of acceptable error, etc.).

**Work design** reveals two key characteristics of work:

- a) the *amount of work* (the number of different operations and/or tasks performed by one employee and the frequency of their repetition);
- b) the content of the work (the relative degree of the employee's influence on the work or on its environment): independence in planning and performing work; independence in determining the rhythm of work; participation in decision-making, etc.

With the development and improvement of production, the negative aspects of specialization began to be revealed more and more.

There was a need to change the traditional focus of work design. The term "*redesign (reorganization)* of work" appeared. The main *methods of redesigning work* in an organization are shown in Figure 6.2.



**Fig. 6.2. Methods of redesigning work in the organization**

1) **Job rotation** – moving employees from one job to another at regular intervals. Rotation of work can be both *horizontal* and *vertical*.

**Advantages:** accumulation of experience in related fields; elimination of monotony and monotony; improvement of understanding of other activities.

2) **Formation of work modules** – rotation in relatively short periods of time, for example, during one working day.

3) **Expansion** of work – horizontal expansion of work by increasing the number of operations and reducing the frequency of repetition of the work cycle.

4) *Work enrichment* is the process of increasing the content of the work. Enrichment of work is carried out by: establishing feedback; training (advanced training); self-study of work schedules; reducing the degree of control.

5) *Use of alternative work schedules*. Options:

a) "*compressed working week*" (4-40 program, i.e. 4-day 40-hour work week);

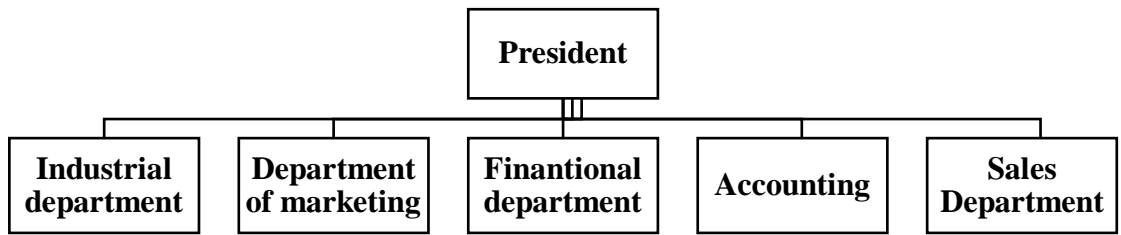
b) "*flexible time*" (the employee has the opportunity to change the start and end time of the working day within certain limits).

2. Departmentalization is the process of grouping work and activities into separate divisions of the organization (brigades, groups, sectors, departments, workshops, production, etc.).

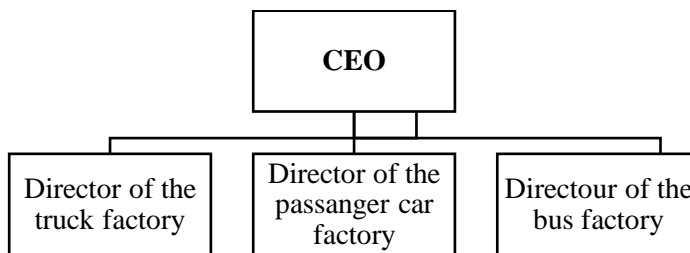
In accordance with the principle that underlies the grouping of activities, there are several *basic departmentalization* schemes (Fig. 6.3):

- *functional* – according to the main management functions;
- *product* – for certain types of products;
- *territorial* – by the geography of the physical location of units;
- *consumer-oriented* – based on the principle of customer satisfaction.

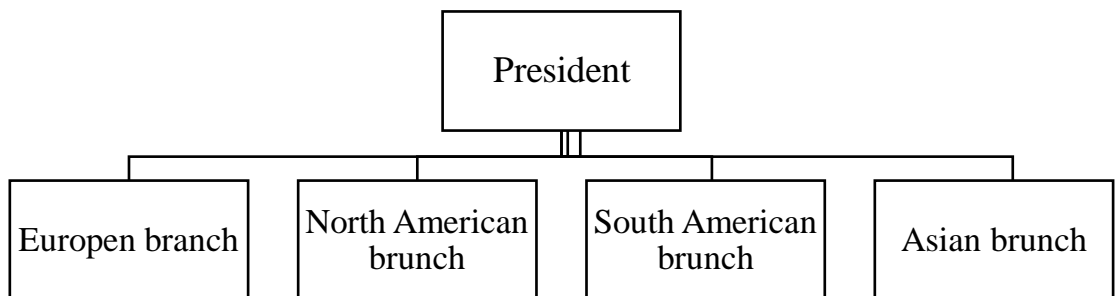
*Functional departmentalisation*-grouping of works by main management functions



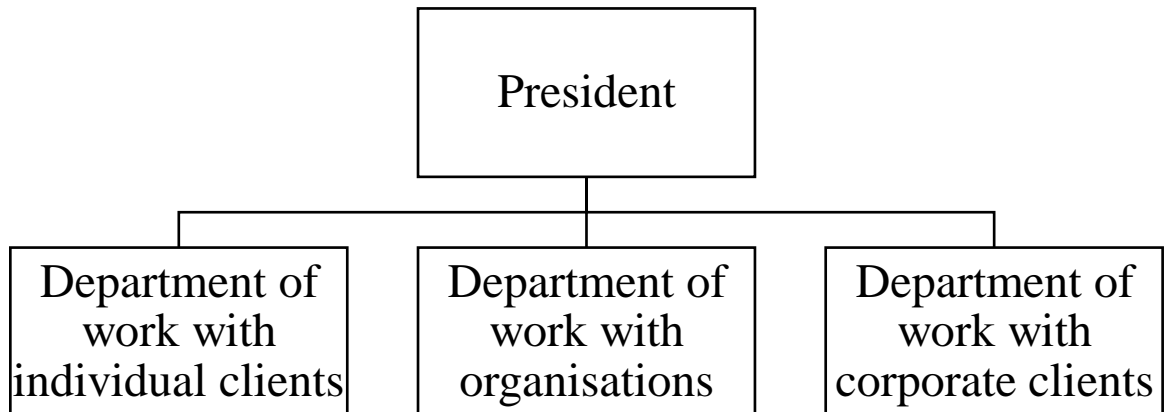
**Product departmentalisation** – grouping of work by individual types of products produced



**Territorial departmentalisation** - grouping of works by geography location of units



**Departmentalisation by consumers** -grouping of works for the most significant consumers



***Fig. 6.3. Basic departmentalization schemes***

Each of these grouping methods has its advantages and disadvantages. Therefore, in practice, there is a *mixture of* basic departmentalization schemes.

**3. Delegation** of authority is the process of transferring part of the manager's work and authority to a subordinate who assumes responsibility for its implementation. The need to delegate authority is a consequence of the limited capabilities and abilities of the manager and the need for specialization in management.

***Elements of delegation of authority:***

- *delegation of authority* (giving a subordinate the right to make decisions);
- *acceptance of responsibility* (acceptance by a subordinate of obligations to perform certain work);

- *accountability* (the requirement for a subordinate to report the consequences of his actions to his immediate superior).

It should be noted that the subordinate *will never bear full responsibility*, since it is borne by the one who delegates his/her authority.

There are ***three types of authority*** delegated to subordinates: linear, staff, and functional.

***Line*** – powers that are transferred by a senior manager directly to his subordinate and then to other subordinates. Delegation of line authority forms a hierarchy of management levels in the organization.

***Staff*** (apparatus, administrative) – powers transferred to persons who carry out advisory, service functions in relation to line managers. The essence of staff powers lies in their ***advisory nature***.

***Functional*** – ***powers*** that allow the person to whom they are transferred, within his competence, to propose or prohibit certain actions to subordinates of line managers. Functional powers give the right to control certain types of activities of other departments and are a limited form of authority. At the same time, they violate the principle of unity of command: a subordinate can have two bosses at once – line and functional, which often causes conflicts between the central management apparatus of the company and heads of line departments.

**4. Setting the range of control** – determining the number of employees directly subordinate to this manager. As a result of the delegation of authority in the organization, there are several

organizational levels of management. The number of organizational levels is determined by the range (norm) of control (Fig. 6.4).

		<i>Structure type</i>	
		<i>high</i>	<i>flat</i>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• simplicity, clarity of interaction</li> <li>• reliable control</li> <li>• tighter management</li> </ul>	<ul style="list-style-type: none"> <li>• efficiency of information and decisions</li> <li>• a small number of managers</li> <li>• subordinates' job</li> </ul>	
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Increasing the number of managers</li> </ul>	<ul style="list-style-type: none"> <li>• Performers can easily go out of control</li> </ul>	
<b>Spheres of application</b>	<ul style="list-style-type: none"> <li>• Works that require strict control</li> <li>• Works with frequent changes</li> </ul>	<ul style="list-style-type: none"> <li>• Works that are identical for many performers</li> <li>• Management of the highly qualified employees</li> </ul>	

**Fig. 6.4. Comparative characteristics of high and flat structures of the organization**

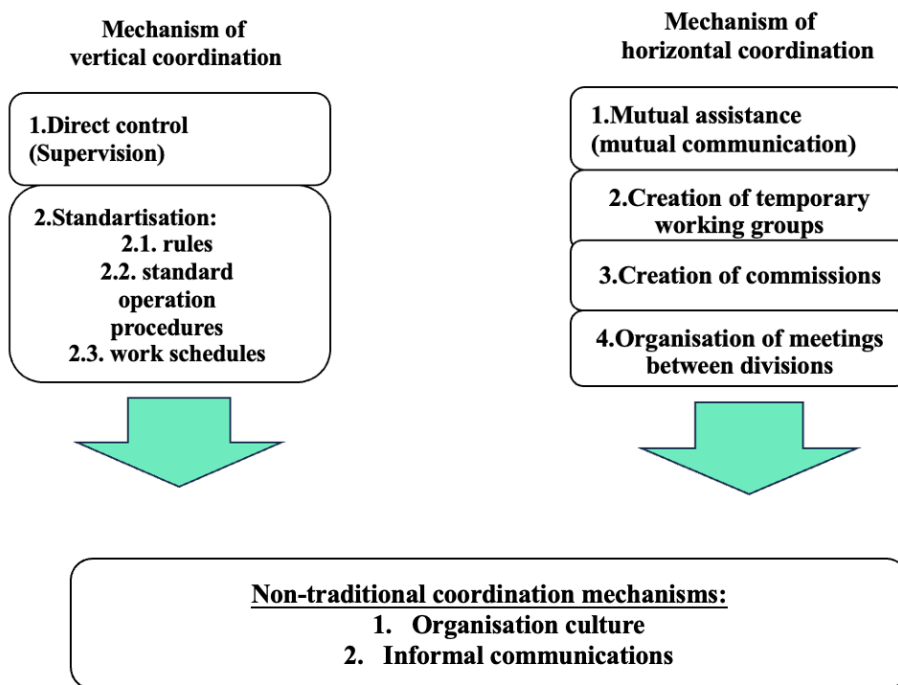
*An increase in the number of management levels* significantly affects the efficiency of the organization due to: an increase in management costs; complication of relations between departments, distortion of information; complication of planning and control processes.

At lower levels of management, the norm of controllability (control range) can reach **30**, at higher levels it is limited to **3 – 7**. Range

of control is a parameter that determines whether an organization is *tall* or *flat*. Each of them has its own advantages and disadvantages.

**5. Establishment of coordination mechanisms.** Establishing interaction between departments and individual performers is achieved by creating coordination mechanisms.

*Coordination of work* is the process of coordinating the actions of all subsystems of the organization to achieve its goals.



***Fig. 6.5. Mechanisms for coordinating the activities of the organization***

Coordination of work is carried out (Fig. 6.5):

- by subordination (*vertical coordination*);



- by establishing links between units of the same organizational level (*horizontal coordination*).

***Vertical Coordination Mechanisms:***

- *direct control* (granting the manager the right to transfer work and control its implementation);

- *standardization of activities* (determination of the way work is performed).

*Standardization is carried out through the application of:* rules; standard operating procedures; elaboration of work schedules.

***Horizontal coordination mechanisms:***

a) *mutual assistance* (mutual communications);

b) *operational* (temporary working) groups;

c) *commissions* (permanent working groups);

d) *meetings* of employees of departments.

*Mutual assistance* is informal contacts between employees of the organization.

A *task force* is a temporary group of employees of different departments, created to solve a specific short-term problem (perform a special task).

*The Commission* is a permanent group of representatives of various departments, formed to solve a long-term problem (perform a long-term task).

#### **4. Types of Organizational Structures**

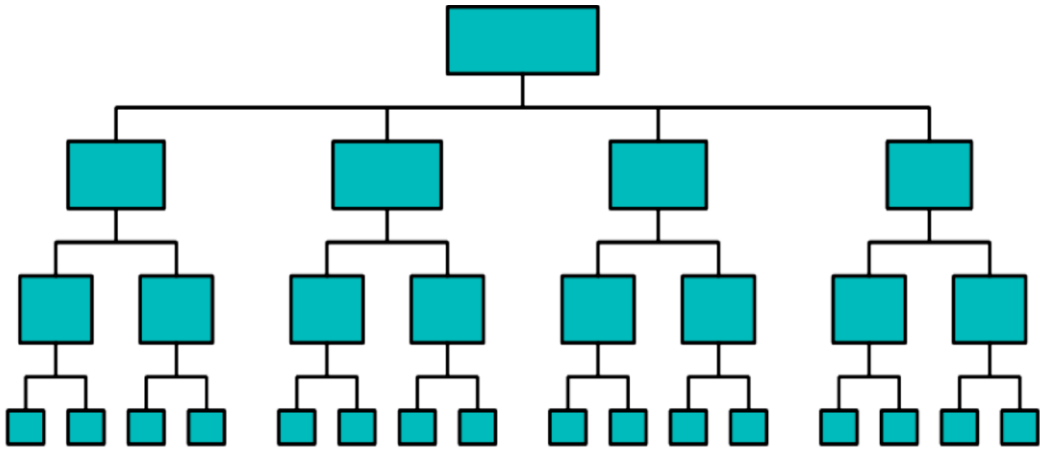
To reflect the structural relationships of the main levels and divisions of the organization, their subordination in practice, *schemes of the organizational structure of management* are used.

Such schemes are only the skeleton of the management system, since *they do not disclose the composition and content of the functions, rights and obligations of officials*.

The theory and practice of management have developed many different principles of building management structures, which can be reduced to the following main types:

- linear organizational structure;
- line-staff organizational structure;
- functional organizational structure;
- linear-functional organizational structure;
- divisional organizational structure;
- matrix organizational structure.

*The linear organizational structure* is a management system in which each subordinate has only one manager and each department performs the whole range of work related to its management (Fig. 1). 6.6).

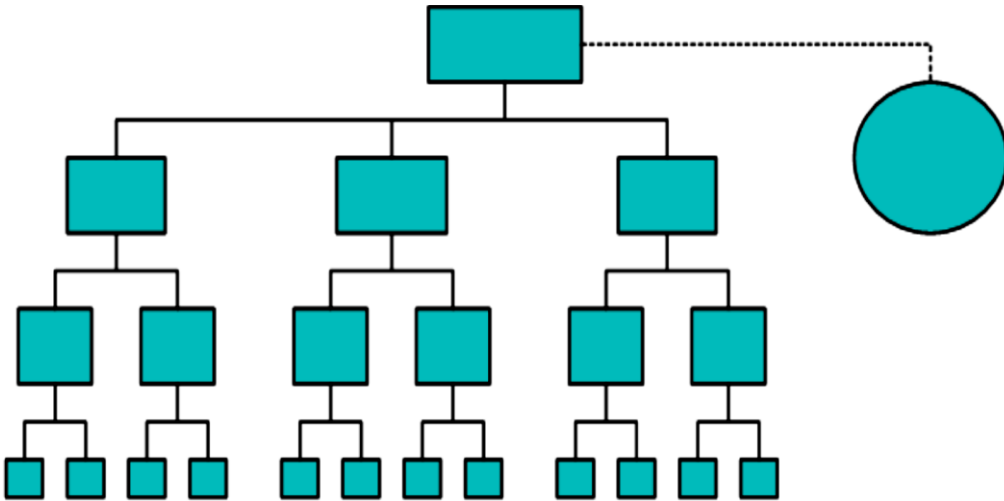


***Fig. 6.6. Line Organizational Structure Diagram***

***Advantages:*** clarity and simplicity of interaction; reliable control and discipline; efficiency of making and executing management decisions; cost-effectiveness in a small organization.

***Disadvantages:*** the need for managers with universal qualifications; restriction of the initiative of lower-level employees; overload of top management; the possibility of an unjustified increase in the administrative apparatus.

***Line-staff organizational structure*** is a type of linear organizational structure (Fig. 6.7).

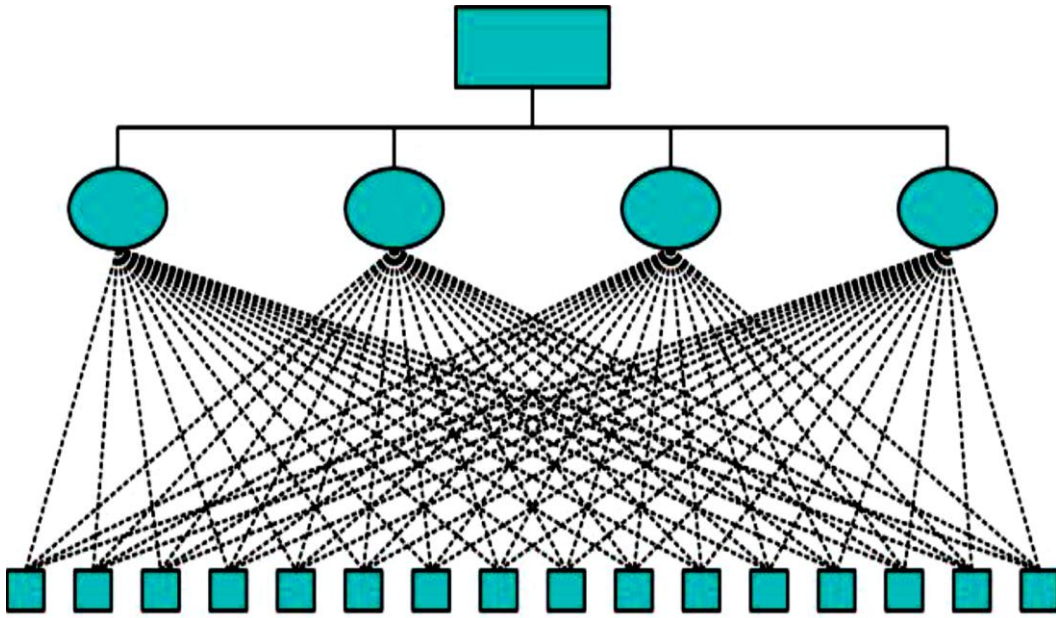


***Fig. 6.7. Diagram of the line-staff organizational structure***

***Advantages:*** clarity and simplicity of interaction; reliable control and discipline; efficiency of making and executing management decisions.

***Disadvantages:*** restriction of the initiative of employees of lower levels; the possibility of an unjustified increase in the administrative apparatus.

***Functional organizational structure.*** To perform certain management functions, separate management units are formed, which transfer to the executors the decisions that are binding on them, that is, the functional manager within his field of activity manages the executors (Fig. 1). 6.8).



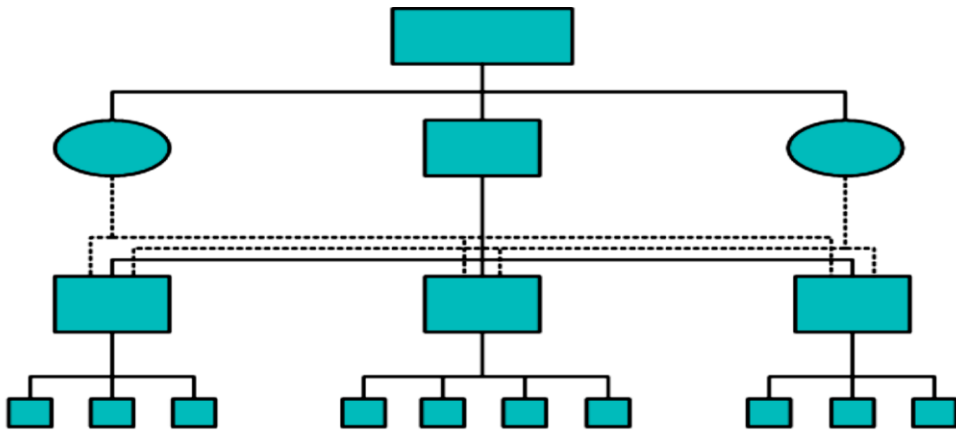
*Fig. 6.8. Diagram of the functional organizational structure*

Due to the specialization of functional managers, it becomes possible to manage a large number of performers (the number of management levels decreases).

**Advantages:** specialization of functional managers; information efficiency; unloading of top management.

**Disadvantages:** violation of the principle of unity of command; difficulty of control; lack of flexibility.

**Linear-functional organizational structure is a** combination of linear and functional structures. The main principle is the separation of powers and responsibilities by functions and vertical decision-making. Management is carried out by a linear scheme, and functional units help line managers in solving relevant management functions (Fig. 6.9).



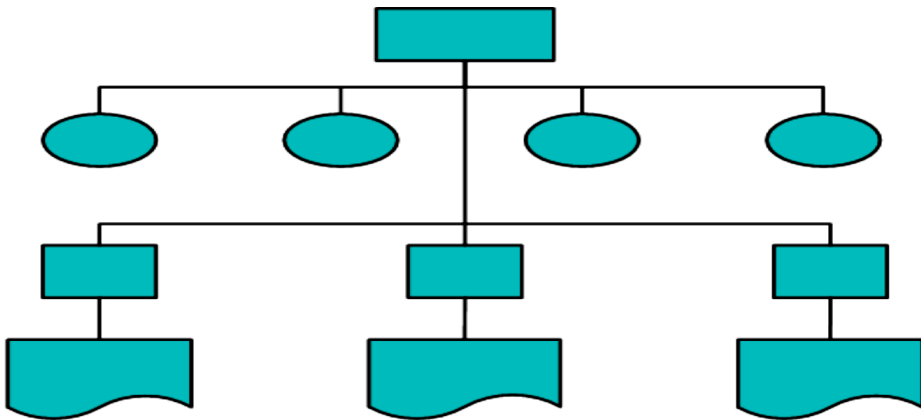
**Fig. 6.9. Diagram of the linear-functional organizational structure**

*The advantages of the* linear-functional structure are a combination of the advantages of linear and functional structures.

*Disadvantages:* complexity of interaction between line and functional managers; overload of managers in the conditions of reorganization; resistance to changes in the organization.

The linear-functional organizational structure is used when solving tasks that are constantly repeated. It *is effective* for *mass production with a stable range of products and minor changes in production technology*.

*Divisional organizational structure.* The transition to this structure means the decentralization of operational management functions, which are transferred to production units (divisions), and the *centralization of corporate management functions (financial activities, strategy development) at the highest level of management* (Fig. 1). 6.10).

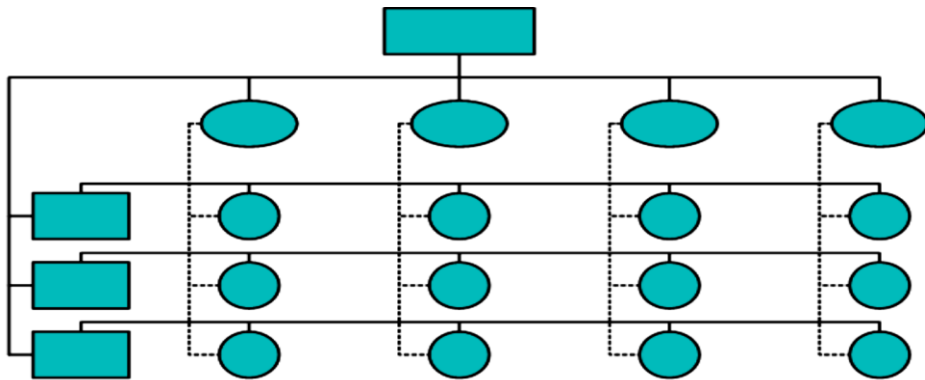


**Fig. 6.10. Diagram of the divisional organizational structure**

**Advantages:** operational independence of departments; improving the quality of solutions; intra-company competition.

**Disadvantages:** duplication of management functions at the level of departments; increase in management costs. The divisional organizational structure corresponds to the conditions of a dynamic environment and organizations with a large number of industries, the life cycle of which is relatively long.

**Matrix organizational structure is a** response to increasing the degree of dynamism of the environment. A high degree of adaptation is ensured by the temporary nature of functioning structural units – project groups (Fig. 6.11).



**Fig. 6.11. Matrix Organizational Structure Diagram**

**Advantages:** high adaptability to changes in the environment; effective coordination mechanisms.

**Disadvantages:** limited scope; conflicts between cross-functional managers and project managers.

To *choose the type of organizational management structure, the following basic methods* are used:

*The method of analogies* consists in the use of organizational forms that have justified themselves in organizations with similar organizational characteristics (environment, strategy, technology, size).

*The expert-analytical method* consists in the examination and analytical study of the organization by qualified experts, who develop the appropriate organizational management structure.

*The method of structuring goals involves the development of a system of goals of the organization, including their quantitative and qualitative formulation and subsequent analysis of the basic organizational structures in terms of their compliance with the system of goals.*



*The method of organizational modeling* is based on the development of various options for possible organizational structures for specific objects of management with their subsequent comparison and evaluation according to certain criteria. The criteria of efficiency in comparing different variants of organizational structures are the possibility of the fullest achievement of the organization's goals at relatively lower costs for its functioning.

## Chapter 7. Motivation

### Lecture plan

1. The concept and essence of motivation.
2. Substantive theories of motivation.
3. Process theories of motivation.
4. Material motivation of labor activity in modern organizations.

#### 1. The concept and essence of motivation.

It is possible to set in motion an organized system to obtain the necessary result only by a certain influence on it by the governing body or person. Certain tools are needed to influence the elements of the system in order for it to begin its functioning. One of these tools is motivation. In order to effectively move towards the goal, the leader must not only plan and organize the work, but also make people perform it in accordance with the elaborated plan. **Motivation** in a broad sense is the process of encouraging employees to act to achieve the goals of the organization, effective implementation of the motivation function requires:

- a) awareness of what motivates the employee to work;*
- b) understanding how to channel these motivations in the direction of achieving the goals of the organization.*

Psychology and sociology view *motivation* as the behavioral identification of needs focused on the achievement of goals.

*Need* is a special state of the individual's psyche, conscious dissatisfaction, a feeling of lack (lack) of something, a reflection of the discrepancy between the internal state and external conditions. Needs are divided into:

- *needs of the first kind (primitive)*, which are inherently physiological (needs for food, sleep, etc.);

- *needs of the second kind (secondary)*, which are of a socio-psychological nature (needs for respect, power, recognition of merits).

The needs of the first kind are laid down in a person genetically, and the second is a consequence of his social life. Needs cannot be directly observed or measured. Their existence can only be judged by observing the behavior of people. The need that is really felt by a person causes him to strive to carry out specific actions aimed at satisfying this need.

***Motivation is a need*** that is realized from the point of view of the need to perform specific purposeful actions. At the same time, specific human actions are considered as a way to satisfy a need. ***When a person achieves his goal, his need can be: satisfied; partially satisfied; unsatisfied. The degree of satisfaction of the need affects the motives and motives of a person's behavior in the future.***

Needs cause a person to desire (aspire) to satisfy them. Therefore, the ***essence of motivation*** in an organization boils down to creating conditions that allow employees to feel that they can satisfy their needs in such a way as to ensure the achievement of the organization's goals.

*Rewarding people is a tool for motivating people to act effectively.* In management theory, **remuneration** refers to a wide range of specific means based on a person's value system. **At the same time, there are two types of remuneration:**

**internal** – it is given by the work itself, its effectiveness, meaningfulness, etc.;

**external** – the employee receives it from the organization (salary, promotion, benefits, privileges, etc.).

*Historical aspect of motivation.* In the history of the development of the theory of motivation there were the following stages:

**I stage of simple motivation (traditional approach).** The essence of this approach was reduced to the use of "carrots and sticks": actions that are considered useful are rewarded, and harmful (undesirable) ones are punished. **An example of this type of motivation is the Taylor motivation.** He proposed to pay for the labor of those who produced more products in proportion to their contributions. The consequence of this approach to motivation was a significant increase in labor productivity. However, employees of modern organizations are much more educated and wealthy than in the past, so the motives of their labor activity are much more difficult to influence;

**The second stage of social and psychological motivation, the** essence of which is the use of methods of psychology and sociology in management. **It is based on two concepts:** the first is psychological motivation: the use of **S. Freud's** theory of the unconscious. **The main thesis of this concept is that at the level subconscious a person does not**

always behave rationally. *The second* concept is social and psychological motivation. Its founder considered *Elton Mayo* (Hawthorne experiment).

## 2. Substantive theories of motivation

Substantive theories of motivation are based on the identification (classification of people's needs that motivate them to act. Knowing the needs of subordinates, the manager can create conditions for their satisfaction in such a way as to ensure the achievement of the organization's goals.



*Fig. 7.1. Hierarchy of needs according by A. Maslow*

*The best known substantive theories of motivation are:*

- Abraham Maslow's theory of hierarchies of needs;
- David McClelland's theory of needs;
- Frederick Herzberg's theory of motivational hygiene.

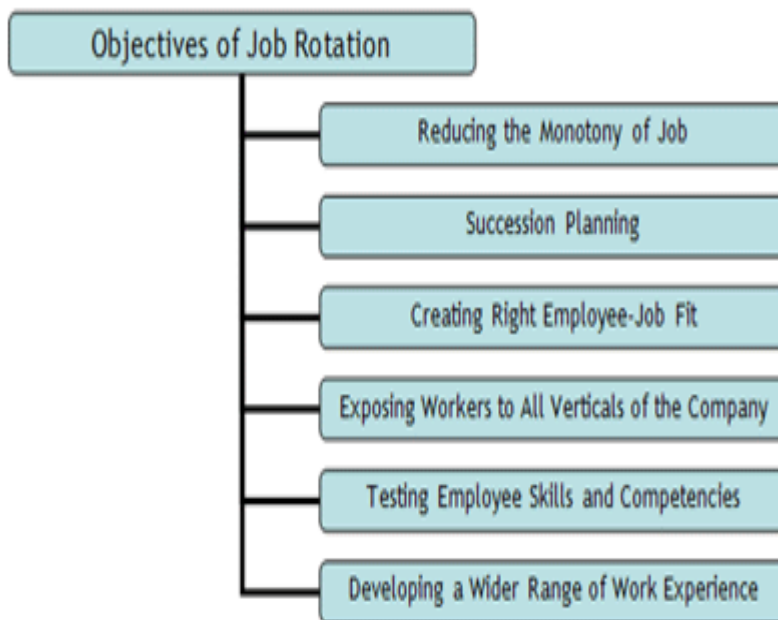
**A. Maslow's theory of the hierarchy of needs** is based *on the theses:*

A) human needs have *a hierarchical structure* (priority) – Fig. 7.1.

B) a person's behavior is determined *by the strongest need at the moment;*

C) the strongest need determines a person's behavior *until it is satisfied;*

D) when there are several strong needs at the same time, the *needs of the lower level* dominate.



*Needs are satisfied in a certain order: the needs of a lower level must be satisfied to an acceptable degree before the needs of a higher level become essential for a given person.*

First-order needs (***physiological, basic***) are related to ensuring the physical survival of a person (needs for food, housing, family, etc.). Such needs are met through the remuneration system. After the satisfaction of basic needs acceptable in a certain society for a given employee, the needs of this level – the ***need for security*** – acquire importance. Such needs mean that basic needs will continue to be met. Ways to meet such needs can be: *pension system; insurance; rights ensured by seniority, membership in trade unions, etc.*

Further, the needs are satisfied in the following sequence:

- ***Belonging needs*** are the need to connect with other people (belonging to a firm, work group, sports team, etc.)

- ***needs for respect*** – the need to satisfy a person's self-esteem (awareness of personal achievements, competence and recognition by other people);

- ***needs for self-realization*** – the need to realize one's potential, to grow as a person.

Maslow's theory states that at the heart of people's desire to work are their many needs, ***in order to motivate a subordinate, the leader must provide him with the opportunity to meet his needs by achieving the goals of the organization.***

Modern Western firms generally meet the socially recognized basic needs and security needs of their employees.

*However, the needs of higher levels mostly remain unmet – insufficient motivation of the employee is mainly due to the fact that he is not able to meet the needs for belonging, respect and self-realization.*

***Western firms solve the needs of higher levels by:***

*- creating an atmosphere that improves interpersonal contacts of the organization's employees;*

*- support for the emergence of informal groups in the organization;*

*- delegation of additional rights and powers to subordinates;*

*- organization of training, advanced training and retraining courses;*

*- finding opportunities to meet the higher needs of employees outside the company.*

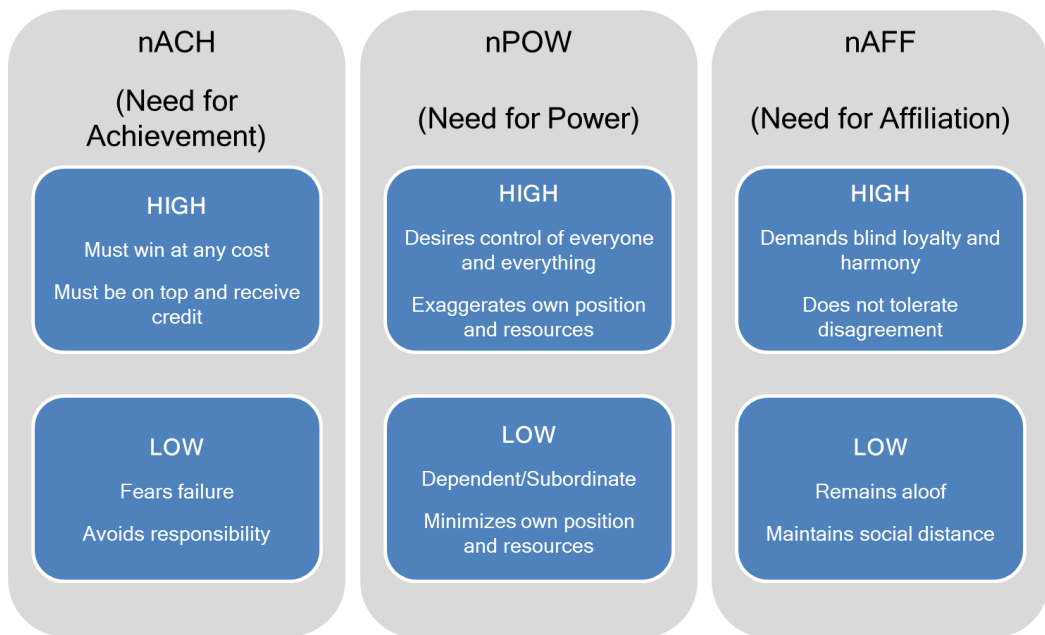
***D. McClelland's theory of needs*** proposes the other ***three types of needs*** (Fig. 7.2):

***A) the need for success*** (achievements), i.e. the need to exceed the established standards of activity, for the awareness of personal achievements (not for rewarding such achievements). People with such a need try to do their job better, better, more efficiently than it was done before them;

***B) the need for power***, i.e. the need to influence the behavior of other people, to be influential, to "have weight";

***C) the need for belonging***, i.e. the need for friendly, comradely interpersonal relationships with work colleagues.





***Fig. 7.2. D. McClelland's theory of acquired needs***

***McClelland's research has shown that*** people with ***success*** (achievement) needs are most motivated by jobs that:

- provides for ***the personal responsibility of the contractor***;
- has ***clear and fast feedback*** (to identify progress in the work);
- is characterized by ***a moderate degree of risk*** (probability of success/failure 50:50).

Employees with success needs are not gamblers who rely on chance to achieve success, but they are also not those who choose easy tasks that do not allow them to realize themselves.

People with high ***power needs*** prefer jobs that involve:

- responsibility for the actions and behavior of other people;
- competition or status orientation.

They are focused on growing their influence, increasing their own prestige by increasing the efficiency of their activities.

People with high *needs for belonging* need friendships and prefer jobs that are characterized by:

- cooperation, not competition;
- a high degree of mutual understanding.

By manipulating this need, managers create an atmosphere of strong team spirit.

*Based on the results of his research, D. McClelland* made the following *conclusions*:

- *People with a high need* for success succeed in entrepreneurial activity, in managing their own business, in managing independent units within large companies.

- *A high need for success* is not a necessary trait of a good manager.

- *The need for belonging and authority is closely* related to the success of governance. Effective managers have high needs for power and much lower needs for belonging.

- It is necessary to stimulate the need for success (achievements) *in subordinates*.

*The theory of motivational hygiene was developed by F. Herzberg* on the basis of survey data, the purpose of which was to determine the situations in which employees felt satisfied or dissatisfied with work. Processing of survey data made it possible to distinguish two groups of factors:

- factors that encourage a person to highly productive work and cause satisfaction from work, and are called "*real (true) motivators*";

- Factors that cause dissatisfaction in the process of work and factors are called "*hygienic*".

*According to F. Herzberg, the factors* that cause satisfaction and dissatisfaction with work should not be opposed. Each of these groups of factors is supposedly in its own scale of measurement, where some operate in the range from (–) to (0), and others – from (0) to (+).

*Hygienic factors shape the* environment in which work is performed. If they are absent or insufficiently expressed, the employee has a feeling of dissatisfaction. If they are sufficient, they themselves are not able to motivate a person. At best, hygienic factors can form a neutral attitude to work.

Job satisfaction is caused only by motivational factors.

So, according to the theory of "motivational hygiene", in order to create a situation of motivation, the manager must ensure the presence of not only hygienic, but also motivational factors.

Motivational factors are related to the nature and essence of the work itself. From this logically follows the method of "enrichment of labor" *proposed by F. Herzberg*. The method of "enrichment of labor" is based on the assumption that employees should be personally interested in performing a particular job. *To create a situation of personal interest, it is necessary that any work performed meets the following three requirements:*

*The work must be important, that is, the employee, on the basis of his own system of values, must understand the importance of doing this particular work, that is, the work must: make demands on the employee that mobilize his abilities; have a certain completeness, that is, a specific result; provide for a certain share of responsibility of the performers.*

*The degree of responsibility determines the employee's interest in work.* In particular, the employee must be provided with: freedom of action in planning his work; the ability to choose the method of execution; a certain freedom and independence from petty tutelage and strict control by the leader.

*Availability of feedback.* At the same time, both the method and the efficiency of obtaining information by the employee about the results and quality of his work are essential.

### **3. Process theories of motivation**

Process theories of motivation do not deny the existence of needs, but emphasize that the behavior of people in an organization is determined not only by needs.

According to the process approach, the *behavior of an employee in the organization, together with the needs, is determined* by:

the employee's perception of a specific situation;

the employee's expectations related to the specific situation;

assessment by the employee of the possible consequences of the chosen type of behavior.

***Currently, there are three main processional theories of motivation in management:***

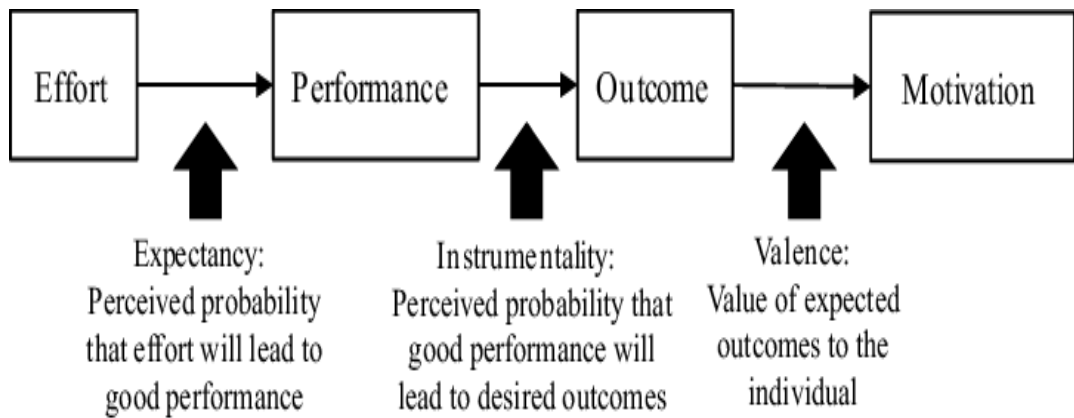
- ◆ Vroom's theory of expectations (hopes);
- ◆ S. Adams' theory of justice;
- ◆ Porter-Lawler model.

***Vroom's theory of expectations*** is based on the premise that the employee's motivation is achieved by rewards. At the same time, the strength of the desire to receive a reward ***depends on three situational factors:***

***A) the*** existence of a connection between the expenditure of labor and the results ***achieved***, that is, from the expectation that the expenditure of labor will give the desired results (***C – P***). If there is no such connection, motivation weakens;

***B) the reality of receiving a reward***, i.e. the expectation that the results will be rewarded (***P – C***). The lack of such a connection weakens motivation;

***C) the value of the reward. Due to the value system, the reward*** may not be of value to a person, that is, motivation depends on expectations about the value of the reward (***B-C***) (Fig. 7.3)



***Fig. 7.3. Model of motivation according to V. Vroom's theory of expectations***

*At the same time, the strength of the desire to receive a reward depends on three situational factors:*

*A) the existence of a connection between the expenditure of labor and the results **achieved**, that is, from the expectation that the expenditure of labor will give the desired results (**C – P**). If there is no such connection, motivation weakens;*

*B) the reality of receiving a reward, i.e. the expectation that the results will be rewarded (**P – C**). The lack of such a connection weakens motivation;*

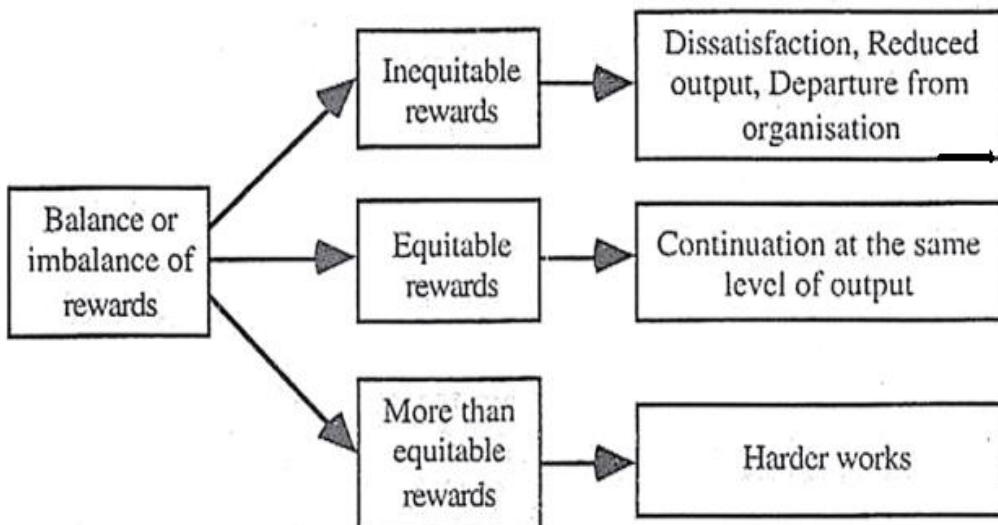
*C) the value of the reward. Due to the value system, the reward may not be of value to a person, that is, motivation depends on expectations about the value of the reward (**B – C**).*

*If expectations are high, then the strength of the motive increases. Previous positive experience in similar situations reinforces expectations. On the contrary, if expectations are not met, there is a feeling of futility of effort, as a result of which motivation decreases. To*

get rid of the feeling of futility of effort, it helps to set goals that are achievable for a particular employee and reward him in a way that he personally appreciates.

*A factor that causes the feeling of futility of efforts is the lack of the employee's own abilities. As a result, the task is performed unsuccessfully and demotivates the employee. Therefore, the complexity of the tasks of a particular employee must correspond to his qualifications, abilities and skills.*

*S. Adams' theory of justice assumes that people subjectively evaluate the ratio of the remuneration they receive for performing a certain work to the effort associated with its performance, and compare this ratio with a similar indicator of other employees. Based on the results of the comparison, there is a feeling of justice or injustice (Fig. 7.4).*



**Fig. 7.4. Essential characteristics of the "theory of justice"**

*In the theory of justice, the following main components are distinguished:*

*employee* – an employee of an organization who evaluates the ratio of remuneration / effort and is able to feel justice / injustice;

*the object of comparison* is any other employee of a given organization, which is used as a basis for comparing the exit/entry ratios;

*"inputs"* are the individual characteristics of the employee that he/she invests in the work he/she performs (education, experience, qualifications, abilities, efforts made to perform the work, etc.);

*"Outputs"* – everything that an employee receives for performing work (salary, bonuses, benefits, recognition of merit, promotion, etc.).

*An employee feels fairness in a situation where his own output/input coefficient is approximately equal to the same coefficient of the object chosen for comparison. If the balance of the output/input ratio is disturbed, the employee has a feeling of injustice. With injustice, tension arises, a sense of internal contradiction, which force the employee to adjust the situation, achieve an appropriate balance, and ensure justice.*

*Conclusions of the "theory of justice" for the practice of motivation:*

- In his evaluations, the employee concentrates not only on the absolute reward that he receives for his efforts, but also on the *relative remuneration*, that is, the reward that other employees receive for their contribution;



- perception is subjective; It is important that *employees have complete information* about who, how and for what they receive remuneration;

- people are guided by a comprehensive assessment of remuneration, in which *pay plays an important, but not decisive role*;

- Management should conduct regular research to determine how employee *remuneration is assessed* and how fair it is from their point of view.

*The Porter-Lawler model* is a complex theory of motivation that contains elements of previous theories. *According to the authors, motivation is both a function of employees' needs, expectations, and perceptions of fair remuneration.*

*There are five main situational factors in the Porter-Lawler model:*

*- effort expended by the employee;*

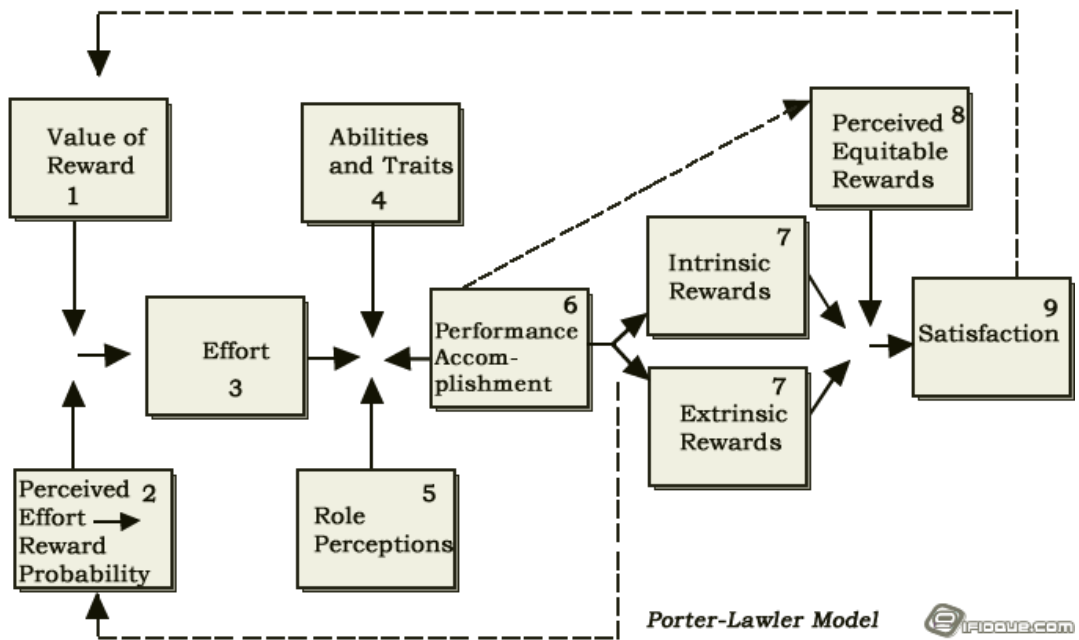
*- Perception;*

*- results obtained;*

*- remuneration;*

*- degree of satisfaction.*

*These factors are related as shown in the outline. Fig. 7.5.*



**Fig. 7.5. Model of the complex theory of motivation by L. Porter - E. Lawler**

**According to the Porter-Lawler model:**

**(a) The level of effort expended (3)** depends on the value of the reward (1) and on the confidence that there is a relationship between the expenditure of effort and the reward (2);

**B) the** results achieved by the employee (6) are influenced by three factors: the effort expended (3), the abilities and characteristics of the person (4), as well as his awareness of his role in the work process (5);

**C) Achieving** the required level of performance (6) can lead to intrinsic rewards (7a), i.e. feelings of job satisfaction, competence, self-esteem, and external rewards (7b) – praise from the manager, bonus, promotion, etc.;

**D) the** dotted line between the results and the reward perceived as fair (**8**) comes from the theory of justice and shows that people have their own assessment of the degree of fairness of the reward;

**E)** satisfaction (**9**) is the result of external and internal rewards, taking into account their fairness;

**G)** Satisfaction is a measure of how valuable a reward really is (**1**). This evaluation will influence the person's perception of future situations.

The Porter-Lawler model allows us to draw the following *conclusions*: - productive work leads to satisfaction, and *vice versa* – satisfaction leads to the achievement of high results in work; - Motivation is not a simple element. To ensure its effectiveness, *it is necessary to combine into a single system: the efforts, abilities of employees, the results of their work, remuneration and satisfaction.*

#### **4. Material motivation of labor activity in modern organizations**

*Methods of motivation can be conditionally divided into two large groups*, one of which is economic, and the other is non-economic; The latter, in turn, are divided into *organizational and moral*.

**Economic methods of motivation** are based on the fact that people, as a result of their application, receive certain benefits that increase their well-being. Such benefits *can be* direct, for example, in the form of a certain amount of money, or *indirect*, which make it easier

to obtain direct ones (additional free time that allows you to work elsewhere).

*The main form of direct economic motivation is wages for the performance of the main job.* Of course, it depends on the position held, qualifications, length of service, quantity and quality of work spent. *Wages can be piecework*, when the basis for determining its size is the volume of output, and *hourly*, which depends on the amount of time worked.

*The hourly form of wages* is applied to managers, specialists, employees, as well as those employees whose performance either cannot be accurately accounted for and measured, or do not require it at all, for example, equipment adjusters. Depending on the method of accrual, it can be *hourly, daily and monthly*.

*Motivating elements in hourly wages are its value and the availability of bonuses where necessary.*

*The piecework form of wages is* used mainly in relation to workers whose specific performance is easily measurable and their growth must be stimulated, and the production of products is the decisive result of work. As in the previous case, the use of piecework wages requires the presence of scientifically based norms (production, costs, etc.) and reliable accounting of results.

The piecework form of wages is subdivided into systems according to such criteria as *methods for determining the piecework rate, settlement with employees* (individually or collectively), *material incentives*.

*Unlike hourly wages, which have only two systems (simple and bonus), there are much more of them in piecework.*

**1. In the case of direct** (individual and collective) **piecework wages**, its value is determined depending on the amount of work performed at a single price per unit of production.

**Individual piecework pay** is used where people work either independently or jointly and perform work of the same nature and qualifications (for example, a team of bricklayers).

**Collective piecework is used** if performers of different qualifications and specialties work independently or together on a complex complex object, being bound by the final result (technical design of the aircraft).

**2. Indirect piecework wages** (individual or collective) shall be applied to employees serving others paid on a direct piecework basis. Of course, it is used in relation to those types of performers on which little depends.

**With piecework-progressive** wages within the established initial rate of production, labor is paid at direct piecework rates, and above it – at increased rates.

The degree of increase in prices is determined using a special scale, characterized by the number of "degrees" of payment (up to three) and their "coolness".

**The piecework-bonus system of** remuneration combines piecework earnings with bonuses for quantitative and qualitative results

of activity (increase in productivity; reduction of costs for mastering new equipment and technology).

**3 Chord system, in which** earnings are determined immediately for the entire amount of work performed.

The stimulating function of collective remuneration of labor (as well as bonuses) is largely ensured by the use of the labor **participation coefficient (CTU)**, which gives a generalized quantitative assessment of the contribution of each to the final result. KTU takes into account individual labor productivity, complexity and quality of work, help from others, compliance with labor and production discipline.

**In addition to the basic salary, an additional one is** accrued, accrued for professionalism, qualifications, business skills, in the form of various kinds of additional payments that are compensatory in nature.

**Bonus system.** The grounds for awarding bonuses to workers are saving resources, increasing profits, especially in the field of activity that is not directly related to this employee, various kinds of scientific achievements, rationalization proposals, successful implementation of measures to prevent problems, exceptional merits. In order for bonuses to play the role of an acting stimulating factor, they, as F. Taylor showed in his time, should be at least 30% of basic earnings.

**Indirect economic motivation** is the motivation of free time. Its specific forms are: reduced working hours or extended vacation designed to compensate for increased labor costs (for example, in the field of science, education); variable or flexible work schedules that make the regime more convenient for a person, which allows him to do

other things without damage to him; granting time off for part of the time saved in the performance of work, *In domestic practice, it has not yet been widespread.*

**Organizational methods of motivation include motivation by goals, motivation by enrichment of work and motivation to participate in the affairs of the firm.**

*German scientists F.W. Siegert and L. Lang propose the following 15 criteria for the motivating organization of work.*

1. Any action must be meaningful, first of all by those who demand action from others.

2. People should enjoy their work, be responsible for it, be personally involved in the results, in working with people, so that their actions are important to someone.

3. Everyone in their workplace wants to show what they are capable of.

4. Everyone strives to show themselves in their work, to learn about themselves in its results, to have proof that they can do something; it is something that must receive the name of its Creator.

5. It is necessary to know people's point of view on possible improvements in their work.

6. People need to be given the opportunity to feel important.

7. In achieving the goal that the employee has set for himself, or in the formulation of which he has participated, he will show more energy.

8. People who work well have the right to material and moral recognition.

9. Employees should have free access to all necessary information, and fast.

10. Decisions on changes in the work of employees should be made with their participation and based on their knowledge and experience.

11. Self-control.

12. Employees should be able to acquire new knowledge in the course of their work.

13. Initiative should be encouraged.

14. Employees must have information about the quality of their work.

15. Everyone, if possible, should be their own boss.

***Moral modes of motivation include recognition, which*** can be personal and public. The essence of personal recognition, which has not yet become widespread in our country, lies in the fact that employees who have distinguished themselves, are mentioned in special reports to the top management of the company or personally introduced to them, receive the right to sign responsible documents, in the development of which they participated, personally

***A specific form of moral stimulation is praise and criticism.***

***Promotion.*** It gives both higher wages (economic motive) and more interesting and meaningful work (organizational motive), and reflects the merits and authority of the individual (moral motive). At the



same time, this method of motivation is limited for a number of reasons – first of all, by the number of positions, in addition, not all people are able to lead and have the desire to do so.

*The success of motivation is determined by an integrated approach to it, which is based on a deep and comprehensive study of the state of affairs in the company and the motivational structure, the behavior of its staff.*

## Chapter 8. Control Function

### Lecture plan

1. Concept and process of control
2. Tools of management control
3. Control of employee behavior in the organization

#### 1. Concept and process of control

**Control** is the process of ensuring the achievement of the organization's goals by constantly monitoring its activities and eliminating the deviations that arise. Control can be directed both to a separate type of activity of the organization and to their totality.

Within the control process, three *main stages* can be distinguished:

- **measurement** of real processes carried out in the organization;
- **comparison** of the results of real performance with pre-established standards;
- reaction to comparison (corrective actions).

Analysis of the model of the control process shows that the control process itself is preceded by the establishment of standards.

**Standards** are specific goals against which progress towards their achievement is assessed. They should be defined in the process of performing the *planning* function.

Characteristics of the **main stages of the control process**.

***Stage 1. Measuring the real processes carried out in the organization***

In the process of measuring the actual performance of work in an organization, two key questions arise: ***how*** to measure and ***what*** to measure?

Managers typically use ***four main methods of measurement***: personal observations; statistical reports; oral reports of subordinates; written reports of subordinates.

Each of these methods has its own advantages and disadvantages, therefore, their joint use (combination) increases the likelihood of obtaining reliable information.

***Personal*** observations are manifested in obtaining information about the real activities of subordinates directly by the manager.

***Advantages***: no filtering of information; obtaining a wider range of information that is beyond the power of other methods (degree of job satisfaction, enthusiasm, etc.).

***Disadvantages***: ***significant influence of the*** manager's personal qualities; significant time consumption; negative reaction of subordinates (perception of the manager's personal control as a manifestation of distrust).

***Statistical reports*** are becoming more widely used in management control due to the use of computer technology.

**Advantages:** grouping and ordering of information in the form of calculations, tables, schemes, series of dynamics, etc.; easy cataloging, the possibility of referencing.

**Disadvantages:** information limitation (focus only on separate, albeit key areas of the organization's activities); low efficiency of obtaining information. Receiving information at meetings, in personal conversations, talking on the phone – these are all examples of oral reports from subordinates. ***In terms of advantages and disadvantages, this method is similar to personal observations.***

**Advantages:** high efficiency of obtaining information; good feedback.

**Disadvantages:** filtering of information; difficulties in documenting information for subsequent reporting.

***The characteristics of written reporting are similar to statistical reporting.***

**Pros:** easy cataloging, referencing.

**Disadvantages:** low efficiency of obtaining information; formal nature of information.

***These advantages and disadvantages require the integrated use of all measurement methods in the practical activities of the manager.***

Equally important is the correct choice of objects of control, as it affects the attitude of employees to what is being controlled. Some of the areas of control are common to all managers, regardless of their level and ***field of activity:***

a) areas of activity of subordinates;

- b) employees' job satisfaction;
- c) implementation of budget parameters.

***The production manager must control:*** production volumes by time intervals; the level of quality of manufactured products; the level of stocks of raw materials, materials, finished products; implementation of operational and calendar planning parameters, etc. Other objects of control will be for managers of marketing, financial, personnel and other services.

Some activities are difficult to quantify. In such cases, the manager has to look for subjective measures. It is clear that they have significant shortcomings, but this is better than having no standards at all and ignoring the control function.

***Stage 2. Comparison of the results of real performance with the established standards.***

At this stage, the ***degree of deviation*** of real performance from the standard is established. It is fundamentally important to determine the acceptable level of deviations, because it is the cases of its excess that are the objects of the manager's activity.

Particular attention should be paid to ***the direction of*** deviations.

***Stage 3. Reaction to comparison***

At the final stage of the control process, the manager must choose one of ***three options as a reaction to the results of the comparison:***

- a) do nothing;
- b) adjust the activities of subordinates;
- c) adjust performance standards.

The first option is used in cases where the results of real performance meet the standards or deviations from the standards are within acceptable limits. If the deviations exceed the permissible limits, an adjustment is made. However, first it is necessary to find out the *reasons for excessive deviation* from standards, namely:

1) *unrealistic* standards (their overestimation or understatement). A significant discrepancy between the performance of subordinates and the standard demotivates employees. In such cases, it is necessary to adjust the standards themselves, and not the activities related to their achievement. The most difficult problem is the reduction of the standard;

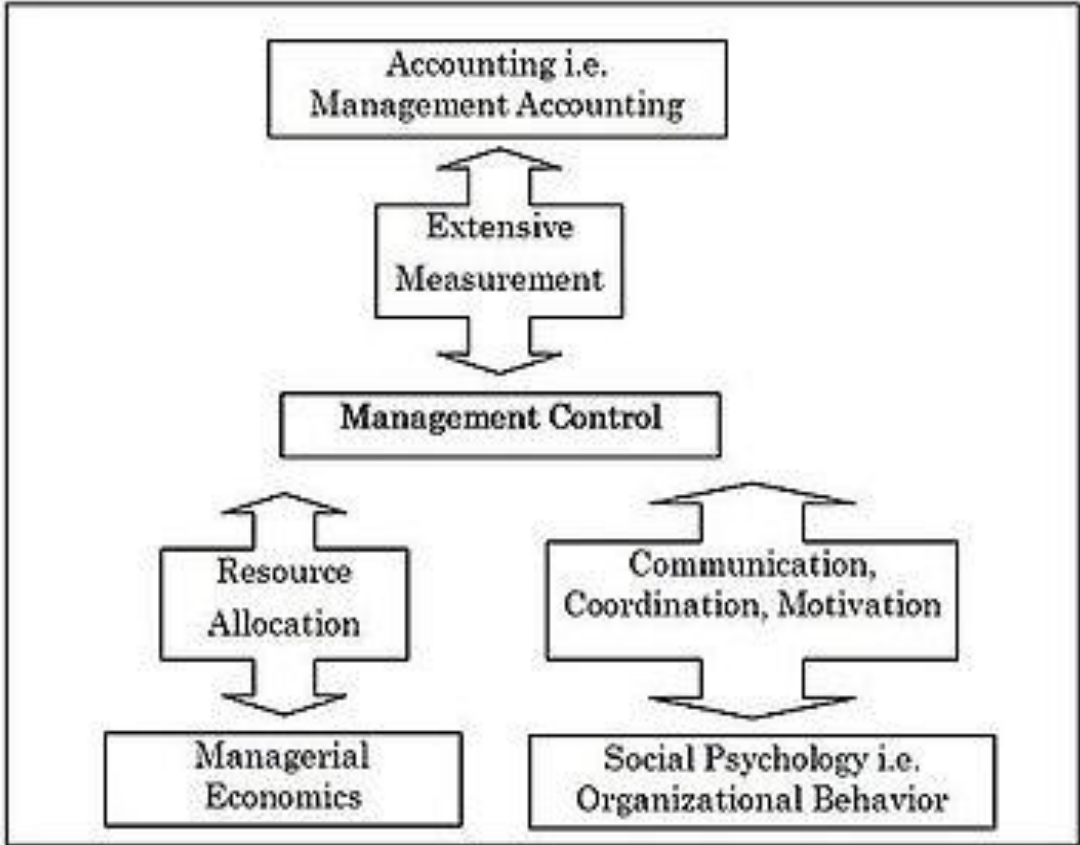
2) *deficiencies in the activities of subordinates*. In this case, the manager must resort to adjusting their activities: changing the strategy, organizational structure, remuneration practices, training programs, redesigning work, reshuffling employees. Even before the start of corrective actions, the manager must also choose the *following corrective actions*:

a) *operational*, aimed at immediate correction of the consequences;

b) *strategic*, eliminating the causes of deviations.

Managers often lack time for strategic adjustments, so they are constantly "putting out fires". Effective managers, on the other hand, find out the reasons for deviations, evaluate the benefits of their elimination, and make adjustments in advance.

Control can be aimed both at a separate type of activity in the organization and at their totality. Consequently, there are different features of the classification of control systems (Fig. 8.1).



**Fig. 8.1** *Types of management control*

*Anticipatory control* is carried out before the start of the transformation process and is aimed at the quality and/or quantity of all *incoming resources* to the organization (physical, human, informational, financial, etc.) before they become part of the organization.

*The purpose* of anticipatory control is to prevent situations that can harm the organization, not to cure them.

***Current control*** is carried out directly during the transformation process. It is based on the *measurement of actual performance* results and *prompt response* to deviations that arise. The gap in time between the occurrence of deviations and the corrective actions of the manager is minimal.

***The purpose of*** current control is to find out the causes of deviations, which determines its wide application.

***The final control*** takes place after the completion of the transformation process, its object is the *exit* from the organization. The ***main disadvantage*** of the final control is the statement of deviations when losses are inevitable. The effectiveness of the final control is lower than others, but for many activities it is the only possible type of control.

***The objectives of the final control are:*** obtaining information to improve planning in the future; The creation and use of control systems in the organization sometimes causes the so-called ***dysfunctional effect***, which leads to

attempts of subordinates to look better according to the criterion being controlled, or to the manipulation of control data. In most cases, the main reason for the appearance of a dysfunctional effect is the lack of a system of comprehensive indicators for evaluating the performance of employees.

***Parameters of an effective control system.*** An effective control system must meet a certain set of ***criteria***, among which can be defined:



**Accuracy.** A control system that generates inaccurate information leads to management errors and wasted effort on solving problems that do not exist at all. Accuracy means that the control system must be reliable, producing real data.

**Timeliness.** The best information is worth little if it is not received in a timely manner. That is, the control system should provide the manager with information in a timely manner, reduce the time interval between the event and its reflection in the controlling information flows.

**Cost-effectiveness.** Means that the results of the control should be greater than the costs associated with its implementation. In order to minimize costs, the manager should compare (match) the costs of control with the benefits expected from him.

**Flexibility.** The control system must be "able" to take into account changes and "be able" to adapt to them.

**Comprehensibility.** A control system that is difficult to understand (comprehend) can be the cause of subordinates' mistakes and even ignoring the control itself.

**Validity of criteria. Standards** in the control system must be reasonable (balanced). Inflated standards reduce motivation. Most people don't want to be labeled "incompetent" by telling their boss that they demand too much. Standards should pull performers to higher performance, but not demotivate employees.

**Strategic orientation.** A manager is not able to control everything that is done in the organization. Even if he could, the costs of control

would outweigh the benefits. Therefore, managers must choose objects (areas) that are strategic for control. From this point of view, control should be concentrated: on the deviations that occur most often; on deviations that cause the most damage; on the factors that are subject to the influence of the manager (which the manager is able to change, adjust).

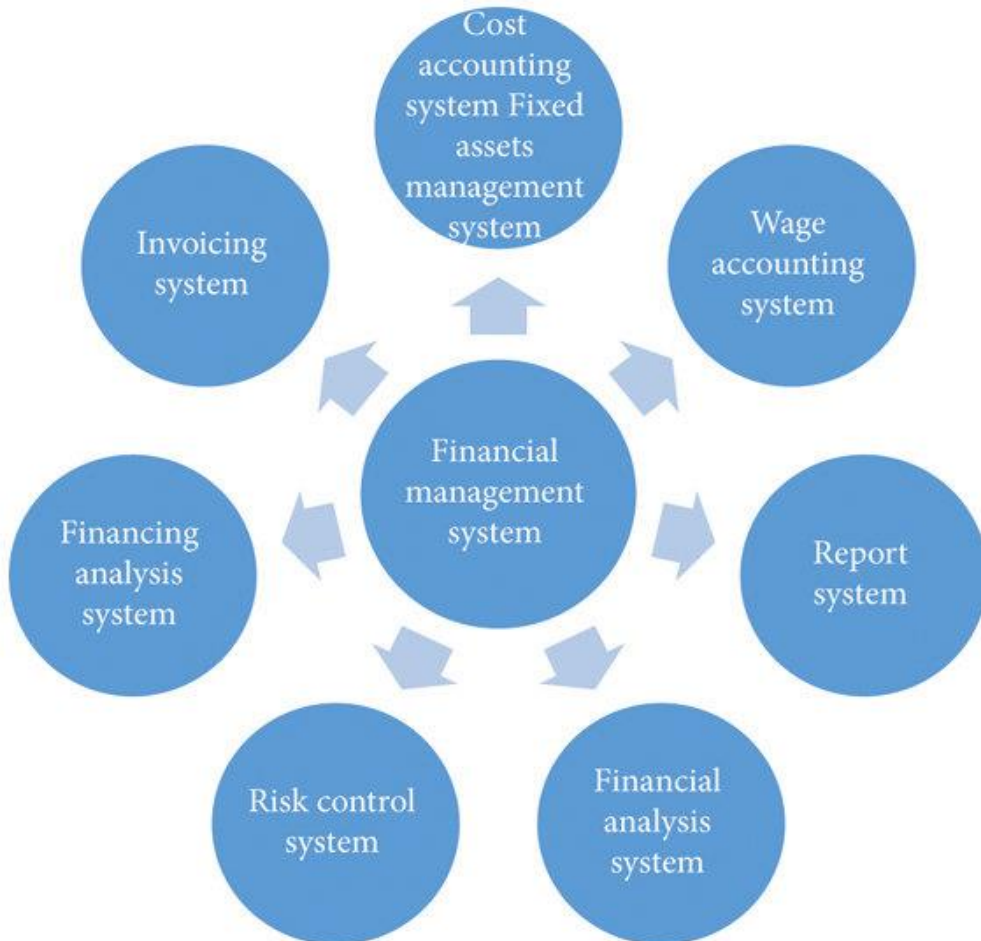
***Multiple criteria.*** Both managers and subordinates try to look better according to the criteria that are controlled. If control is carried out using one single criterion, then the efforts of the subordinate will be directed to trying to look better according to this particular standard.

***Support for corrective actions.*** The control system should not only signal deviations, but also suggest what corrective actions can be taken to correct the situation.

## **2. Tools of management control**

There are different approaches to the classification of means of managerial control. In practice, the totality of control tools ***is divided into three groups***: financial control tools; operational control tools; tools for monitoring the behavior of employees in the organization.

The constituent elements of ***financial control*** (Fig. 8.2.) is: financial analysis; Budgeting; Audit.



***Fig. 8.2. The main components of the financial control system***

***Financial analysis*** can also be considered as a complex subsystem, ***where the main tools are:*** analysis of the organization's financial statements; analysis of financial ratios; break-even analysis.

***Analysis of the organization's financial statements.*** To evaluate and control the activities of the organization, the following financial reporting documents are widely used: balance sheet; profit and loss statement; statement of cash flows.

*Analysis of financial ratios* pursues the following goals: comparison of the current financial results of the organization with previous ones, identification of changes, establishment of trends; comparison of the results of the financial activities of one firm with the corresponding results of other firms in the industry.

To interpret the results of the organization's activities, several groups of financial ratios are used, the most important of which include: liquidity ratios; solvency ratios; profitability (profitability) ratios.

A *break-even analysis* is carried out to find out what the sales volumes of the organization's products should be in order to achieve profitability.

*Budgeting* is one of the main means of planning and controlling the activities of departments in an organization. Budgets determine both planned and actual indicators of expenditures (cash, assets, raw materials and resources, wages) of the structural units of the organization.

*The objectives of the budget execution analysis* are: accurate measurement of the actual state of affairs; comparison of the results of the activities of different departments and levels of management for different periods of time.

*Advantages of budgetary control*: ease of implementation; possibility of formalization; wide involvement of managers in the control process.

*Disadvantages of budgetary control*: focus not on results, but on costs; the possibility of overspending funds of the planned budget.

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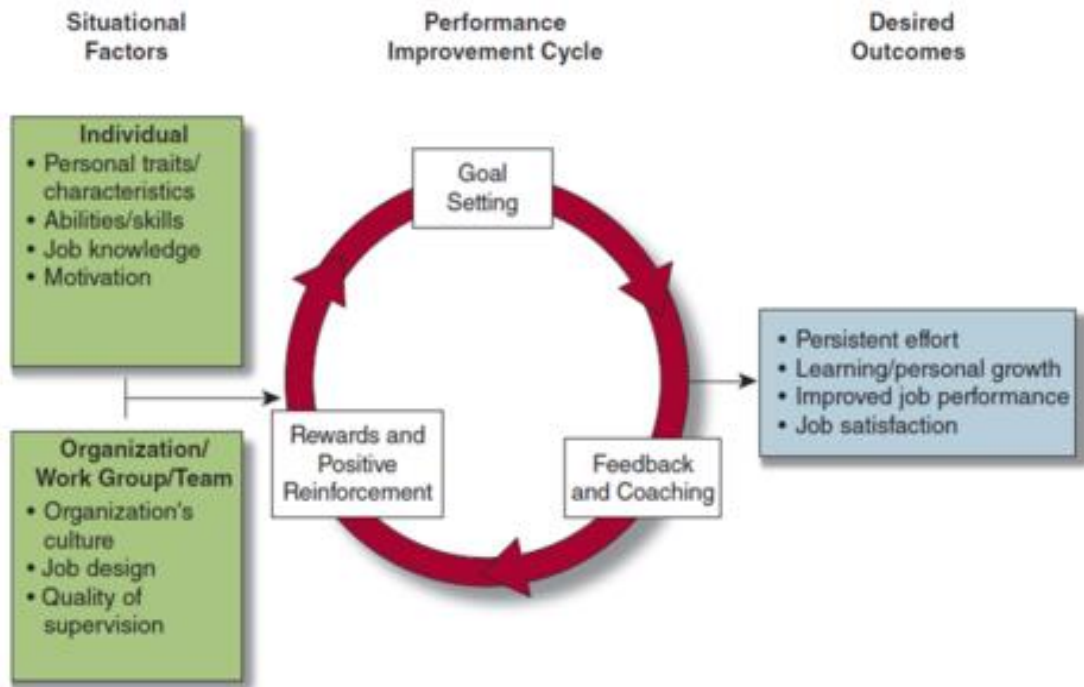
### **3. Control of employee behavior in the organization**

Financial control allows you to effectively control the use of financial and physical resources of the organization. However, its ability to control the behavior of employees in the organization is significantly limited.

Control of employee behavior in the organization, the model of which is presented in Fig. 30, has its own specific features. Components *of* the process of monitoring the behavior of employees in the organization:

**1. *Standards of employees'*** activities. Any work to be done in an organization is described using certain standards. The task is to explain what exactly is expected from its activities.

**2. *Measurement*** of real performance. In the process of measuring real performance, it is fundamentally important to choose the appropriate method for evaluating performance.



**Fig. 8.3. Model of the process of monitoring the behavior of employees in the organization**

There are *three main approaches* to assessing the performance of performers in an organization: evaluation by absolute standards; assessment according to relative standards; assessment by the criterion of the degree of achievement of the goals of the activity.

*Assessment according to absolute standards* is carried out by comparing the real results obtained by the employee with a predetermined certain quantitative indicator (standard). Using absolute standards of activity, the manager can clearly determine the degree of compliance of the behavior of a given employee with a certain criterion.

*Evaluation by relative standards consists of comparing the performance of* one employee with the performance of another. The use of relative standards allows employees to be clearly ranked. At the same time, some should be better, and some should be worse.

If the organization uses the management by objectives (MVO) process, it is better to evaluate the performance of employees according to the *criterion of the degree of achievement of goals*.

**3. Direct managerial control of the behavior of employees in the organization.**

*The components of* direct managerial control of employees' behavior are: remuneration; advanced training of subordinates; strengthening motivation; disciplinary action.

**Remuneration.** If a subordinate's behavior meets or exceeds established standards, the manager must respond positively to it and reinforce it through rewards. *As a reward tool in practice, wages are most often used.* Reward tools can also be: praise; promotion; special rewards (bonus, benefits); provision of the desired work task; status symbols, etc.

In a situation of inadequate abilities, the manager must select an appropriate *training program* for this employee. If an employee is able to work more efficiently but does not work, motivation becomes a problem. If motivational mechanisms do not help, the manager takes disciplinary action.



*The disciplinary process* consists of four sequential steps: verbal warning; written warning; temporary suspension of activities; dismissal from work.

**4. Indirect managerial control of employees' behavior in the organization** (*substitutes* for direct managerial control). In the practice of managerial activity, situations often arise in which direct managerial control is supplemented by other means, the so-called substitutes for direct managerial control of employees' behavior, which, in particular, include: effective selection (selection of personnel); use of the phenomenon of organizational culture; formalization of the recruitment procedure; All of them reduce the likelihood that the actual results of subordinates' activities will be lower than standards.

# Chapter 9. Methods of substantiation of managerial decisions

## Lecture plan



1. Classification of methods for substantiating managerial decisions
2. Tools for substantiating management decisions
3. Justification of decisions under conditions of uncertainty

### **1. Classification of methods for substantiating managerial decisions**

In the modern literature on the theory of decision-making, there are different approaches to the classification of methods for justifying managerial decisions. One of the most common ways to classify is presented in Fig. 9.1.

According to this method, *all methods of substantiation of managerial decisions are divided into quantitative and qualitative.*

*Quantitative methods* (or operations research methods) are applied when the factors influencing the choice of a solution can be quantitatively determined and evaluated.

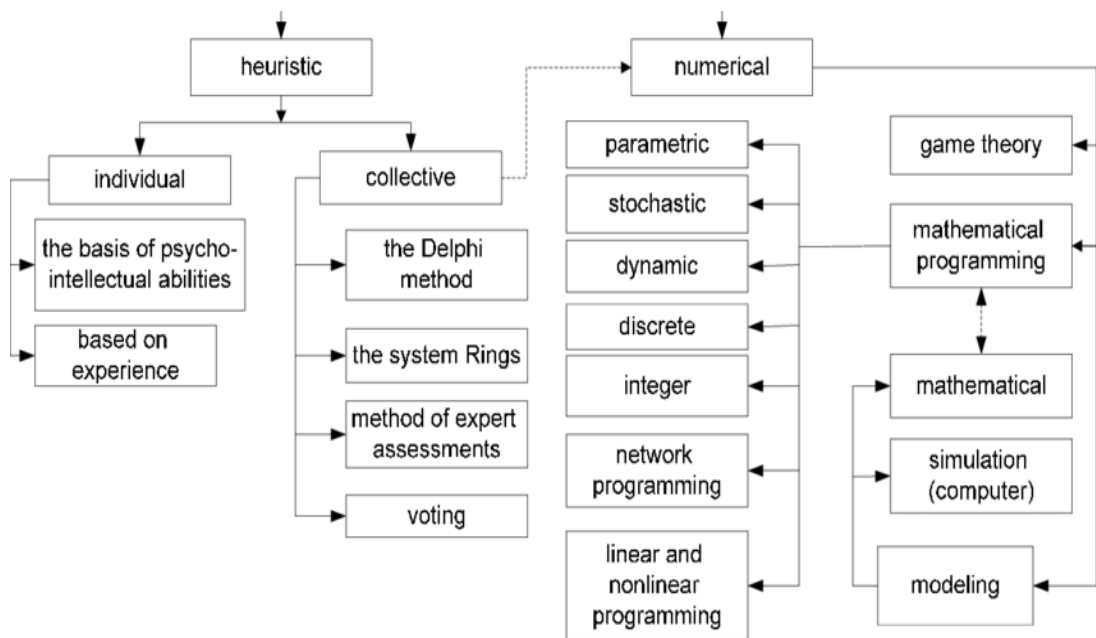
*Qualitative methods are* used when the factors that determine decision-making cannot be quantitatively characterized, or they are not quantifiable at all. Qualitative methods include mainly expert methods.

*Quantitative methods,* depending on the nature of the information that the decision-maker has, are divided into:

- methods used in conditions of *unambiguous certainty of information* about the decision-making situation (analytical methods and, partially, methods of mathematical programming);

- methods used in conditions of *probable certainty of information* about the decision-making situation (statistical methods and, partially, methods of mathematical programming);

- methods used in conditions of *uncertainty of information* about the decision-making situation (game-theoretic methods, which, depending on what causes the uncertainty of the situation: objective circumstances or conscious actions of the opponent, are divided into methods of statistical decision theory and methods of game theory).



**Fig. 9.1. Classification of methods for substantiating managerial decisions**

*Analytical methods are characterized* by the fact that they establish analytical (functional) dependencies between the conditions

for solving a problem (factors) and its results (decision). ***A wide group of methods of economic analysis*** of the firm's activities belongs to the analytical ones (for example, the construction of the break-even equation and finding the break-even point).

***Statistical methods are based on the collection and processing of statistical materials.*** Statistical methods include methods of probability theory and mathematical statistics. ***The following methods are widely used in management from this group of methods:*** correlation and regression analysis; dispersion analysis; factor analysis; cluster analysis; methods of statistical control of quality and reliability, etc.

*The payment matrix method and the "decision tree" are widely used in practice.*

***Methods of Mathematical Programming.*** ***Mathematical programming*** is a branch of mathematics that contains theory and methods for solving conditional extreme problems with several variables. In mathematical programming problems, it is necessary to select the values of variables (i.e., control parameters) in order to provide the maximum (minimum) of the objective function under certain constraints. ***The methods of mathematical programming are most widely used in the areas*** of planning the nomenclature and assortment of products; determination of product manufacturing routes; minimization of production waste; inventory regulation; production scheduling, etc.

## **2. Tools for substantiating management decisions**

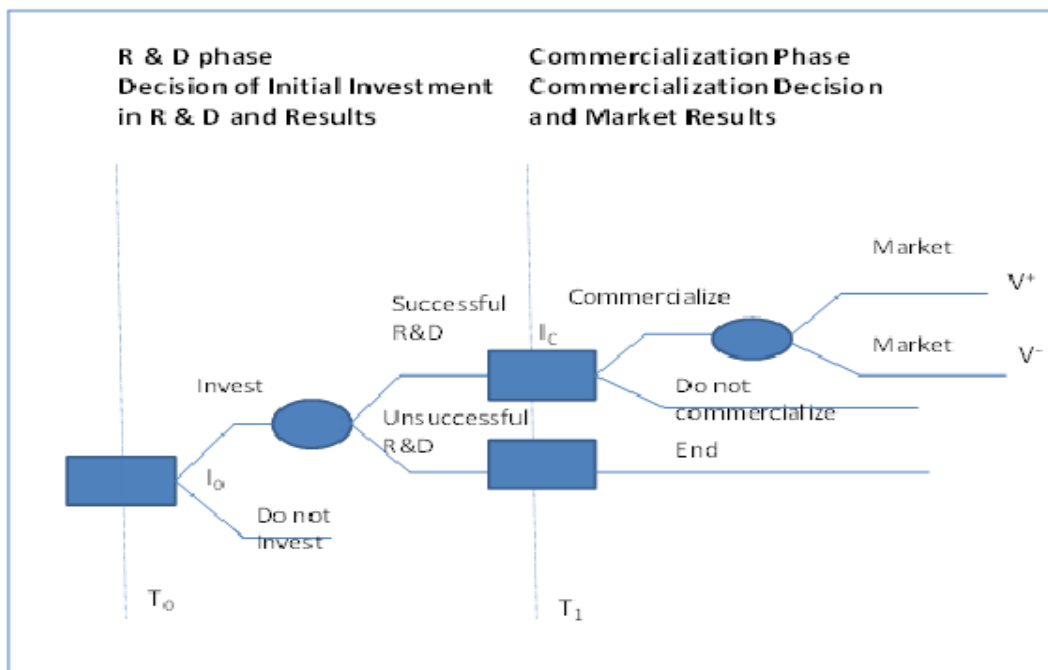
*The method of payment matrix* allows us to evaluate each alternative as a function of different possible results of the implementation of this alternative.

*The main conditions for the application of the payment matrix method are:* the presence of several alternatives for solving the problem; the presence of several situations that may occur during the implementation of each alternative; the ability to quantify the effects of implementing alternatives.

*In the concept of the payment matrix, the key is the concept of "expected effect".*

*The expected effect is the sum of the* possible outcomes of situations that may arise in the process of implementing the alternative, multiplied by the probability of occurrence of each of them. In the payment matrix method, it is critically important to accurately assess the probabilities of the occurrence of a situation in the process of implementing alternatives.

*The decision tree method* involves the graphical construction of various options for actions that can be carried out to solve an existing problem (Fig. 9.2).



**Fig. 9.2. Graph of the "decision tree" in the problem of investing the firm's funds**

**Components of a decision tree graph:**

**Three fields** that can be repeated depending on the complexity of the task itself:

a) *field of actions* (field of possible alternatives). All possible alternatives to solve the problem are listed here;

b) the *field* of possible events (field of probability of events). Here are listed the possible situations for the implementation of each alternative and the probabilities of the occurrence of these situations are determined;

c) *the field of possible consequences* (the field of expected results).

**It quantifies the consequences (outcomes) that can occur for each situation;**

***The three components*** are:

a) the *first point of decision-making*. It is usually depicted on the graph in the form of a quadrilateral and indicates the place where the final decision is to be made, that is, the place where the choice of course of action is to be made;

b) point of *opportunity*. It is usually depicted in the form of a circle and characterizes the expected outcomes of possible events;

c) "branches of a tree". They are represented by lines that lead from the first point of decision-making to the results of the implementation of each alternative.

***The idea behind the decision tree method is that moving along the branches of the tree in the right-to-left direction (i.e., from the top of the tree to the first decision point):***

a) first calculate the expected winnings for each branch of the tree;

b) comparing these expected winnings, make the final choice of the best alternative.

The use of this method assumes that all the necessary information about the expected winnings for each alternative and the probability of occurrence of all situations has been collected in advance.

***The "decision tree" method is used in practice in situations where the results of one decision affect subsequent decisions, that is, for making successive decisions.***

### **3. Justification of decisions under conditions of uncertainty**

***Game-theoretic methods.*** In most cases, incomplete and inaccurate information is used to make management decisions, which forms a situation of uncertainty. To substantiate decisions under conditions of uncertainty, the following methods are used: methods of ***statistical decision theory (games with nature); Game theory methods.***

***The methods of statistical decision theory are used*** when the uncertainty of the situation is due to objective circumstances that are unknown or are random. However, it is not at all known which of the states of nature will actually arise. To solve such problems, the following criteria are used. (Table 7):

***The criterion of pessimism (Walt's criterion).*** According to the criterion of pessimism, for each strategy there is the worst possible outcome. At the same time, a strategy is chosen that provides the best of the worst results, that is, provides the maximum possible minimum results.

***Criterion of optimism.*** According to this criterion, for each strategy there is the best possible outcome. With the help of the criterion of optimism, a strategy is selected that provides the maximum result from among the maximum possible.

***Criterion of the optimism coefficient (Hurwitz criterion).*** ***In reality, a decision-maker is not an absolute*** pessimist or an absolute optimist. Of course, it is somewhere between these extremes. In accordance with such predictions, the criterion of the optimism coefficient is used. ***For the mathematical formalization of the optimism coefficient, the coefficient is introduced into its formula,***



*which characterizes (in parts of one) the degree of feeling by the decision-maker that he or she is an optimist.* In this case, a strategy is selected that provides:  $\max[\lambda(\max R_{ij}) + (1 - \lambda)(\min R_{ij})]$ .

*Laplace's criterion.* With the help of the three previous criteria, the strategy was chosen based on the assessment of the results of states of nature and practically did not take into account the probability of the occurrence of such states.

*The Laplace criterion involves the calculation of the expected effects of the implementation of each strategy, that is, the sum of the possible outcomes of the occurrence of each state of nature weighted by the probability of occurrence of each of them.* At the same time, a strategy is chosen that provides the maximum expected effect. *The criterion of regret (Savage's criterion).* The use of this criterion assumes that the decision-maker should minimize his losses when choosing a strategy. That is, it minimize its potential mistake when choosing the wrong decision.

The use of the criterion of regret involves- the construction of a matrix of losses.

*Game theory is* used in cases where the uncertainty of the situation is due to the conscious actions of a reasonable adversary. Organizations usually have goals that conflict with the goals of other competing organizations. Therefore, the work of managers is often to choose a solution taking into account the actions of competitors. To solve such problems, game theory methods are intended.

*Game theory* is a branch of applied mathematics that studies models and methods of making optimal decisions in conflict. A *conflict* is a situation in which the interests of two or more parties pursuing different (contradictory) goals collide. At the same time, each decision should be made with a reasonable opponent who is trying to harm the other participant in the game to succeed.

*The main task of game theory can* be formulated as follows: to determine what strategy a smart player should use in a conflict with a smart opponent in order to guarantee each of them a win, and the deviation of any of the players from the optimal strategy can only reduce his winnings.

Table 9.1.

**Criteria for Statistical Decision Theory**

<i>Name of the criteria</i>	<i>Principle of optimisation</i>	<i>Calculation formula</i>
<b>Criteria of pessimism</b> (Wald's criteria, criteria of the greatest caution)	Orientation on the pessimistic development of the situation	$Y = \min (\max a_{ij})$
<b>Criteria of optimism</b>	Orientation on the optimistic development of the situation	$Y = \max (\max a_{ij})$
<b>Criteria of the ration of optimism</b> (Hurwitz's criteria)	Orientation on the level of assessment of the optimistic development of the situations	$Y = \max [ k (\max a_{ij}) + (1 - k) (\min a_{ij}) ]$
<b>Laplace's criteria</b>	Orientation on the random development of the situations	$Y = \max (\sum_{j=1}^n a_{ij} \cdot P_j)$
<b>Criteria of pity</b> (Savage's criteria)	Orientation on the minimalization of losses or risks	$b_{ij} = (\max a_{ij}) - a_{ij}$ $Y = \min (\max b_{ij})$

Central to game theory are *zero-sum pairs*, i.e., games in which: *only two sides participate; One side wins exactly as much as the other*

loses. Such an equilibrium gain, which both parties have the right to count on, if they adhere to their optimal strategies, is called the **price of the game**. Solving a zerosum pair game means finding a pair of optimal strategies (one for the first player, the other for the second) and the price of the game.

**Pure strategies are a pair of strategies (one for the first player and the other for the second player) that cross the saddle point. The saddle point in this case determines the price of the game. Games that do not have a saddle point** are more common in practice. In this case, the solution is within the **mixed strategies**. Finding a solution to a game without a saddle point means defining a strategy that involves the use of multi-pure strategies.

**Expert methods of decision-making are** used in cases where it is impossible to use quantitative methods for managerial decision-making. Most often, the following expert methods are used in practice: simple ranking method; method of weighting coefficients.

**The method of simple ranking** (preference) consists in the fact that each expert designates the features in the order of preference. Number 1 denotes the most important feature, number 2 – the next most important feature, etc.

**The method of weighting coefficients** (evaluation) consists in giving all the features of weighting coefficients. **It can be carried out in two ways:**

1) all features are assigned weighting coefficients so that the sum of all coefficients is equal to 1 or 10 or 100;

2) the most important of all characteristics is assigned a weighting coefficient, which is equal to a certain fixed number, and the rest of the characteristics are coefficients that are equal to fractions of this number

# Chapter 10. Fundamentals of the Theory of Managerial Decision Making

## Lecture plan



1. Fundamentals of Decision Theory.
2. Decision-making process.
3. Methods of creative search for alternatives.

### 1. Fundamentals of Decision Theory.

*A decision* is a choice of an alternative, a material reflection of the management itself, and to some extent its result. It is the result of deliberations, actions and intentions, conclusions, considerations, discussions, resolutions, etc., aimed at realizing the goals of management. Decisions require responsibility, systematization of actions, organization, etc.

***They can be classified according to certain characteristics:***

***By scope:*** *general* (applies to the entire organization); *partial* (related to specific departments, services, problems, etc.);

***by duration of action:*** *promising*; *Current*;

***by acceptance rate:*** *at the highest level of management*; *at the middle level of management*; *at a lower level of management*;

***by the nature of the tasks to be solved:*** *organizational programmed* (they were proposed by the American scientist **Herbert**

*Siman* based on the use of computer terminology). This is a kind of well-known list of steps, there are few alternatives; *organizational programmed*, caused by new or unknown factors and situations. These can be decisions to implement the goals of the organization, improve the quality of products, improve the management structure, motivation methods, etc. *Compromises*, which should balance the contradictions that arise (*substantiated by the American specialist Robert Katz*);

*According to the method of justification: intuitive, that is, those that are based on the manager's feelings* of the correctness of the choice. It is clear that validity is determined by the personal qualities of the manager; *which are based on judgments*. This is a choice based on knowledge, experience, seniority, and qualifications. Since such decisions are directly made by the manager, they are formed quickly and without significant costs. But such decisions can lead to the rejection of a new alternative; *rational, justified by objective analytical processes*;

*by method of adoption: one-person; collegial* (developed by a group of specialists, and adopted by the appropriate group of managers); *collective* (adopted by the general meeting).

*When making decisions, it is important to consider the factors that influence this process.*

**1. Personal qualities of the manager** (education, knowledge, age, experience, character, etc.).

**2. Manager's behavior** (habits, psychology, loyalty, etc.).

**3. Decision-making environment: certainty** (the manager knows the expected results of all possible alternative solutions); *risk* (the

manager knows the probability of each alternative); *uncertainty*, when it is impossible to estimate the probability of potential outcomes.

4. ***Information constraints*** due to the increase in the cost of obtaining additional information. The manager has the opportunity to choose alternative when attracting additional information depending on the economic situation that develops in the organization.

5. ***Interdependence of decisions.***

6. ***Expectation of possible negative consequences.***

7. ***Possibility of using modern technical means.***

8. ***Availability of effective communications.***

9. ***Compliance of the management structure with the goals and mission of the organization.***

*In the scientific literature, there is both an extended and a narrow understanding of the decision-making process in management.*

***An expanded understanding*** encompasses not only the decision-making process, but also its implementation and control of the results of its implementation.

***In a narrow sense, decision-making*** is a process that begins with the statement of the occurrence of a problem and ends with the choice of an action aimed at its elimination.

***The process of managerial decision-making is influenced by many different factors.*** The most important of these include:

***Degree of risk*** – it is understood that there is always a possibility of making a wrong decision that can adversely affect the organization. Risk is a factor that managers take into account consciously or

subconsciously when making a decision, as it is associated with an increase in responsibility (*PR information conditions*).

*The time* allotted to the manager to make a decision. In practice, most managers do not have the opportunity to analyze all possible alternatives, experiencing a shortage of time.

*The degree of support of the manager by the team* – this factor takes into account the fact that new managers are not immediately perceived. If the understanding and support of other managers and subordinates is not enough, then the problem should be eliminated at the expense of their personal traits, which should contribute to the implementation of the decisions made.

*Personal qualities of a manager are* one of the most important factors. Regardless of how managers make decisions and are responsible for them, they must have the ability to make the right decisions.

*The policy of the organization – in this case, the* subjective factor is taken into account when making a decision. Status, power, prestige, ease of execution – all this can affect the adoption of a decision.

In management theory, there are *three main models of decision-making*: the classical model, the behavioral model, and the irrational model (Table 8).

**The classical model** is based on the concept of "*rationality*" in decision-making. It is assumed that the decision-maker must be absolutely objective and logical, have a clear goal, and all his actions in the decision-making process are aimed at choosing the best alternative.



*The main characteristics of the classical model are that the decision-maker has: a clear purpose for the decision; has complete information about the decision-making situation; has complete information about possible alternatives and their consequences; a rational system of ordering advantages according to the degree of their importance; in order to maximize the result of the organization's activities.*

*Table 10.1*

***Basic models of managerial decision-making***

<i>Model name</i>	<i>Basic concepts</i>	<i>Main characteristics</i>	<i>Fields of application</i>
<b>Classic model</b>	<b>Rationality</b>	<p><u>Person making the decision:</u>                      -has complete information about the decision-making situation                      - has complete information about all possible alternatives and their consequences                      - has a rational system of ordering advantages according to the degree of their importance information                      - always aims to maximize the final result</p>	<p><b>Making programmed decisions</b></p> <p><b>Sufficiency of necessary information</b></p>
<b>Behavioural model</b>	<p><b>Limited rationality</b></p> <p><b>Achieving satisfaction</b></p>	<p><u>Person making the decision:</u>                      -Does not have complete information about the decision-making situation                      -does not have complete information about all possible alternatives                      - is not able or not inclined to predict the consequences of the implementation of each alternative</p>	<p><b>Limited or absent information</b></p>
<b>Irrational model</b>		<p><b>Decisions are made without exploring alternatives</b></p>	<p>Solutions to fundamentally new problems that are difficult to solve</p> <p>Solving problems in conditions of time shortage</p> <p>Sufficient power to impose its decision</p>

*The classical model* assumes that the conditions for decision-making should be sufficiently defined. *In practice, the decision-making process is influenced by numerous limiting and subjective*

*factors*. The combination of such factors in the decision-making process takes into account *the behavioral model*.

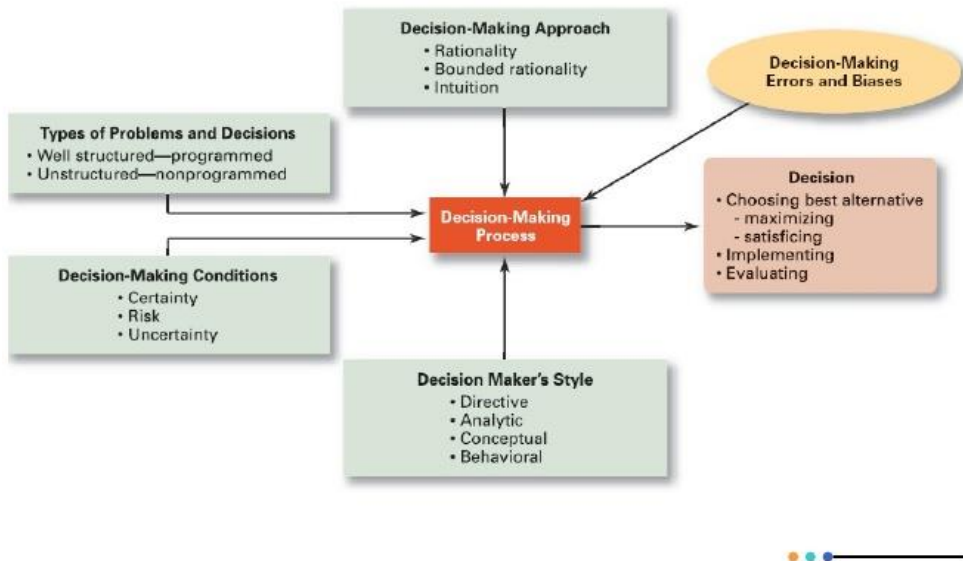
*Characteristics of a behavioral model*. The decision-maker does not have: complete information about the decision-making situation; complete information about all possible alternatives; is not able (not inclined) to predict the consequences of possible alternatives.

*With these characteristics in mind, G. Simon formulated two key concepts of the behavioral model:*

1) the concept of "*bounded* rationality", which means that people can only try to make a rational decision, but their rationality will always be limited (theoretically, there is always a better decision);

2) the concept of "*achieving* satisfaction". Since it is impossible to achieve "complete rationality," managers want their "fear" of not making the best decision to override their efforts to reach the optimal decision. It is this state (the moment when a decision is made) that G. Simon described as "achieving satisfaction".

# Overview of Managerial Decision Making



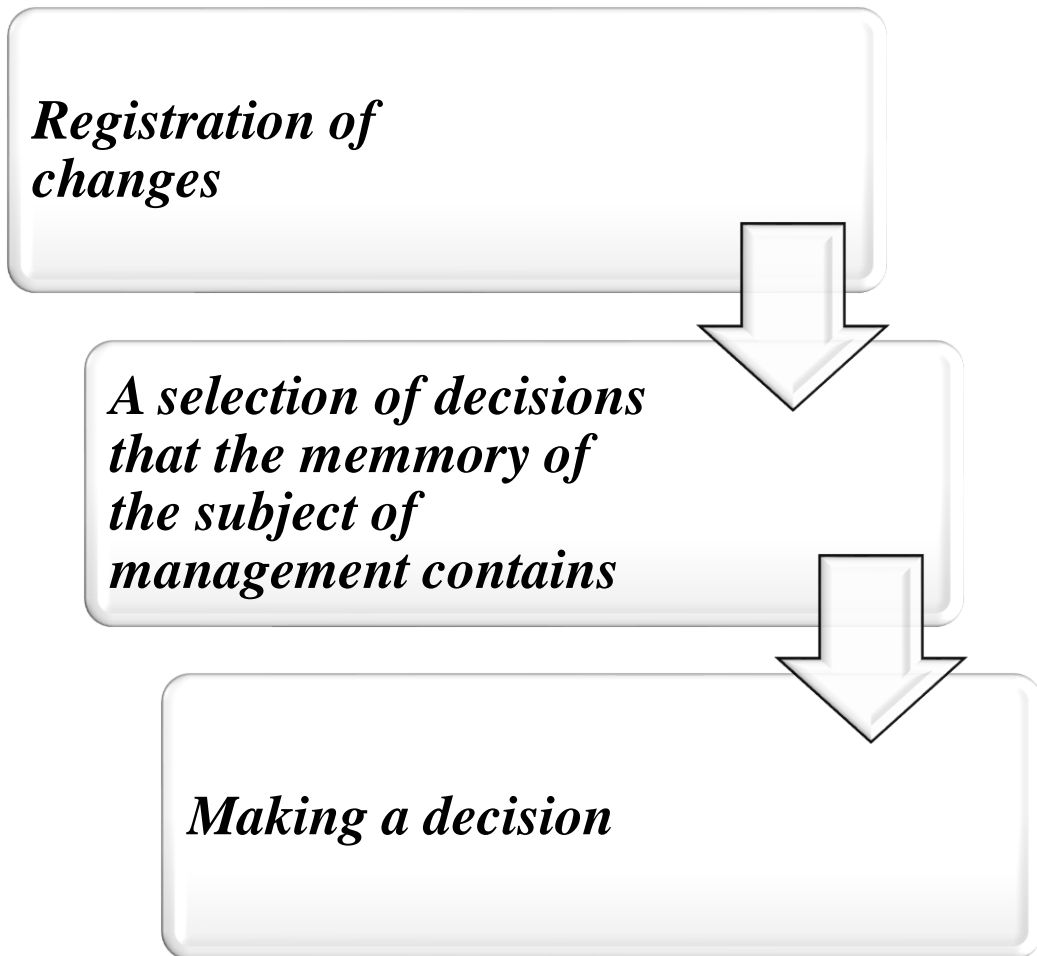
*Fig. 10.1. The irrational model is based on the assumption that decisions are made before alternatives are explored.*

*The irrational model is most often used:*

- a) to solve *fundamentally new, unusual solutions*, those that are difficult to solve;
- b) to solve problems under *time pressure*;
- c) when a manager or group of managers has *enough power to impose their decision*.

## 2. Decision-making process

*In the theory of decision-making, there are two main technologies for managerial decision-making. The simplest technology decision-making is **intuitive**, which is presented in a simplified schematic form in Fig. 33.*

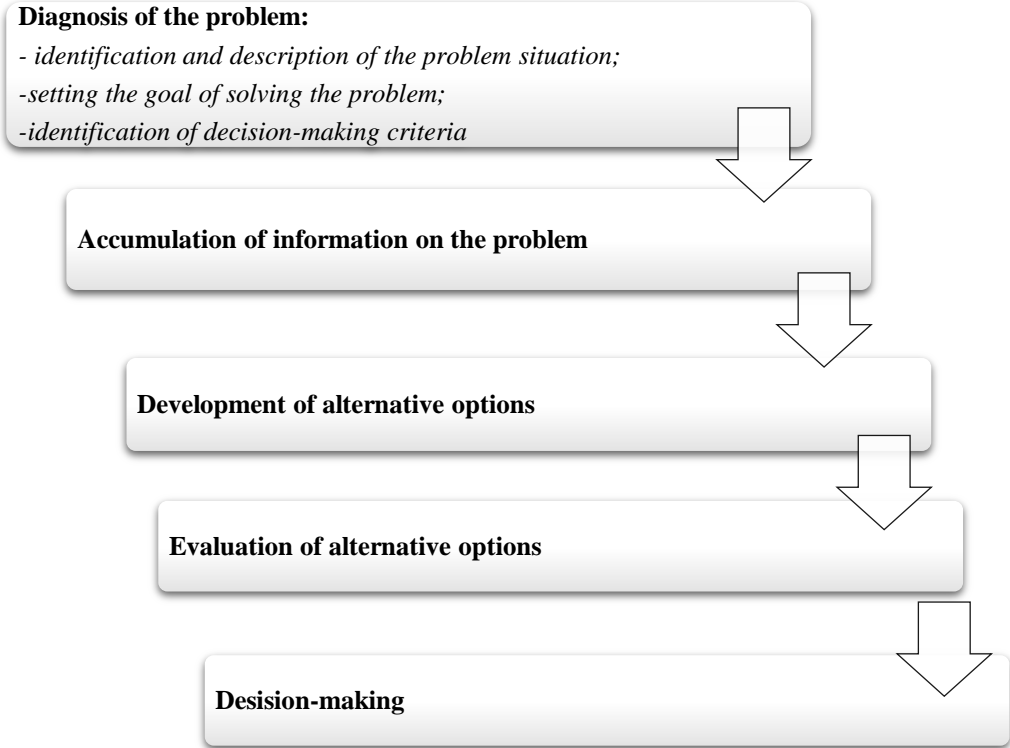


**Fig. 10.2. Intuitive Decision Technology Model**

A change in state puts forward a problem, the need to get rid of which requires a decision. With intuitive technology, the experience of *decision-making in analogous (similar) situations*, which has been accumulated by a given management entity, determines the decision

itself. Therefore, if no similar decisions have been made in the previous accumulated experience of the management entity, the probability of making an erroneous decision increases. *The advantage* of intuitive technology is the speed of decision-making, and the main *disadvantage* is the high probability of error.

*A simplified model of rational decision-making technology is shown in Fig. 10.3.*



*Fig. 10.3. Rational technology of managerial decision-making*

Let's take a closer look at the content of each of the stages, focusing only on the key (fundamentally important) aspects of their implementation.

**1. Diagnosing the problem** includes the following steps:

***identification and description of the problem situation*** (means awareness of the contradiction between changes in the environment of the organization's functioning and its ability to ensure the achievement of its goal under such conditions);

***setting the goal of solving the problem situation*** (determining the desired end result of solving the problem situation);

***identification of decision-making criteria*** (determination of the features on the basis of which the assessment of the solution of the problem situation will be carried out, as well as the ordering of these signs in order of importance).

**2. Accumulation** of information about a problem means the collection and processing of various information about the problem under consideration.

***The quality of solving a problem depends on the quality of information about it.***

***The quality of information materials***, in turn, is assessed using the following ***criteria***:

1) ***objectivity*** is an integral criterion that combines the following partial criteria:

***completeness of information*** (availability of information, including contradictory information, that is necessary and sufficient for decision-making);

***accuracy of information*** (degree of correspondence of information to the original);

*consistency of information* (separate parts of the same information should not contradict each other);

*persuasiveness of information* (proof, reliability of information);

2) ***conciseness*** – brevity and clarity of information (achieved due to the high convolution of information without losing its necessary completeness);

3) ***relevance*** – relevance of information to objective information needs;

4) ***timeliness*** – the ability to meet the information need for an acceptable deadline;

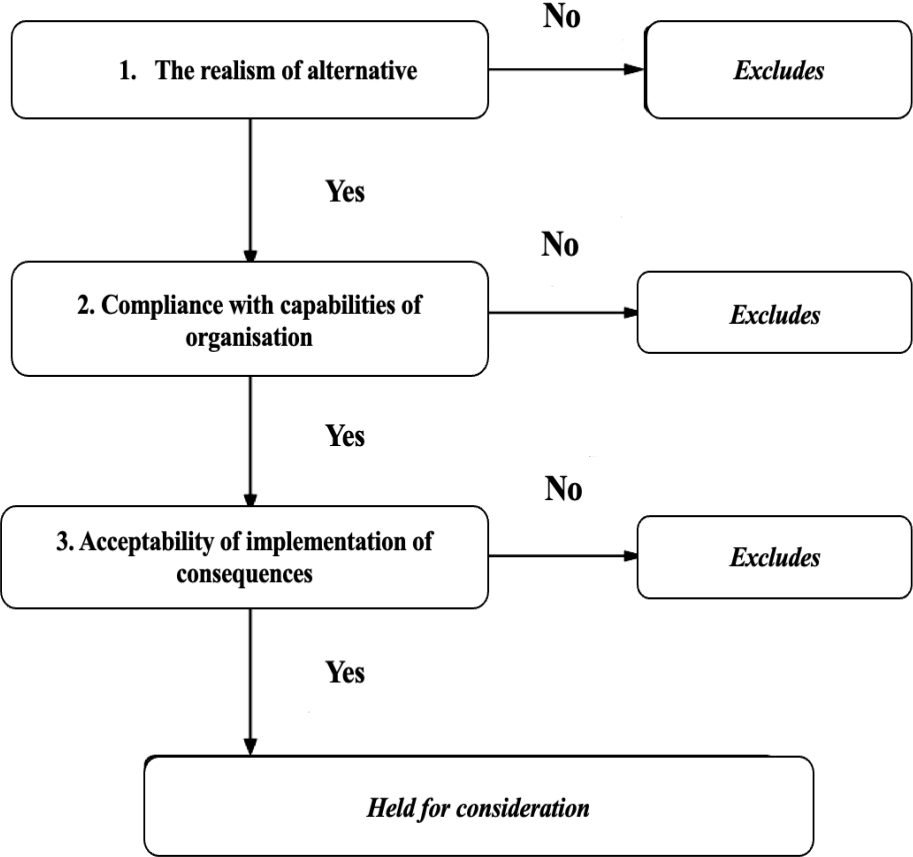
5) ***communicativeness*** – the property of information to be understandable to the addressee.

**3. *Development of alternative options*** means the development, description and compilation of a list of all possible options for action that provide a solution to the problem situation.

The complexity of management lies in the development of the most complete set of alternatives, which contains all the permissible options for action to achieve the established goal. On the other hand, the increase in the number of alternatives complicates, increases the cost and stretches the decision-making process over time. Therefore, a ***reasonable reduction in the number of alternatives is a factor in increasing the efficiency of the decision-making process.***

In the process of developing alternatives in order to limit their number, it is necessary to take into account the following requirements for them: ***mutual exclusion*** of alternatives – follows from the definition

of the category of "decision-making" as an act of choice. An unambiguous choice is possible only if the alternatives are mutually exclusive; ensuring the same conditions for *describing alternatives*: temporal, resource, external, etc. (the same "starting" conditions for each alternative).



**Fig. 10.4. Consistency in the evaluation of alternatives in the decision-making process**

**4. Evaluation of alternatives**

The essence of this stage is to check each alternative found according to the criteria (Fig. 10.4):



*feasibility* - the possibility of its implementation in general, taking into account external circumstances that do not depend on the organization itself (legal restrictions, capabilities of existing technologies, moral and ethical norms, etc.);

*relevance to the* organization's resources;

*the acceptability of the consequences of the implementation of the alternative: not only the main but also the* collateral; not only the immediate period of implementation of the alternative, but also future periods.

**5. Decision-making.** At this stage, the alternatives are compared according to the expected effects of their implementation and the best alternative is selected based on the criteria identified at the stage of diagnosing the problem.

### **3. Methods of creative search for alternatives**

One of the most difficult stages of rational decision-making technology is the search for alternatives. In management practice, various methods of creative search are *used alternative options*, which are conditionally divided into three groups: methods of individual creative search (analogies, inversions, idealizations); methods of collective *creative search* ("brainstorming", conference of ideas, method of collective notebook); *methods of activating creative search* (the method of control questions, the method of local objects, the method of morphological analysis).

*The method of analogy* is the use of similar solutions from other fields of activity (technical, economic, observations of nature, fiction, etc.).

*The inversion method* is to search for options from the opposite (turn the usual solution upside down, turn it inside out, swap it, etc.).

*The method of idealization* is the search for alternatives by initiating the idea of an ideal solution to a problem. Compared to individual methods, *collective methods* are more effective.

*The method of "brainstorming"* is based on the prohibition of criticism at the stage of putting forward ideas.

*The idea conference method* involves benevolent criticism in the form of remarks or comments. It is believed that such criticism can increase the value of the ideas put forward. All ideas put forward are recorded in the minutes anonymously. It is not recommended to involve in the "conference of ideas" people who are skeptical about the possibilities of solving the problem.

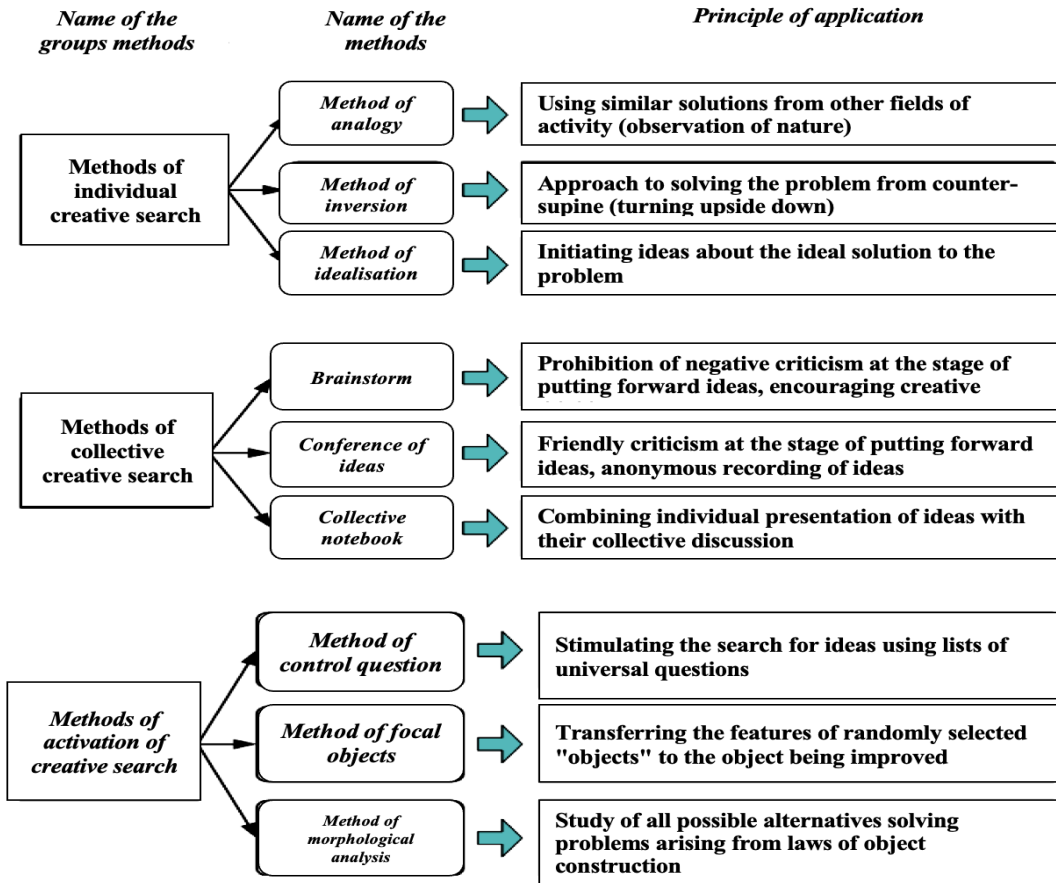
*The method of a collective notebook is a combination of individual independent ideas with their collective evaluation. At the same time, each member of the group receives a notebook in which the essence of the problem to be solved is outlined. Over a period of time (usually two weeks), each member of the group writes down their own ideas for solving a given problem in a notebook. The notebooks are then collected by the group leader to summarize and organize the information. The implementation of the method ends with a creative discussion of the whole group and discussion of systematized material.*

In order to intensify the process of creative search for alternative options, the third group of methods is used.

*The method of security questions* is to stimulate the search for ideas with the help of universal questions. In practice, a list of universal questions compiled by A is often used. **Osborne.** What new uses of the object can be proposed? What modifications are possible if it is rotated, twisted, changed in function, color, shape, etc.? What can be increased (decreased) on the object: dimensions, strength, number of elements, etc.? What can be replaced at the facility, etc.?

*The method of local objects* consists in transferring the features of randomly selected objects to the object being improved. As a result, it is possible to obtain new, original solutions to the problem of improving this object.

A generalized characteristic of the methods of creative search for alternatives is shown in Fig. 10.5.



**Fig.10.5. Methods of creative search for alternatives**

*The method of morphological analysis* is based on the study of the regularities of construction (morphology) of the object and the application of combinatorics.

# Chapter 11. Management & Leadership

## Lecture plan



1. Leadership and management
2. The concept and essence of leadership
3. Behavioral theories of leadership
4. Situational Leadership Theories

### 1. Leadership and management

One of the most important problems of modern business is *the problem of leadership*. The concept of leadership includes and addresses the issue of organizing change. *In all studies related to this Chapter, three aspects are distinguished: people, influence and purpose*. The manager always or in one way or another deals with people, with employees of the company and members of other organizations, seeks to influence them in order to induce them to certain actions. And all this is aimed at achieving the organizational goal. Influence means that relationships between people are not passive. Moreover, they are carried out for a specific purpose.

*Leadership* is the process of influencing subordinates, which is a way to make them work towards a single goal. *Leadership (in business)* is the ability to make the entire team strive to fulfill the tasks facing the organization.

*Management should be considered as a process, which*, in turn, can be broken down into separate actions and steps of the manager, which are aimed at achieving intermediate, operational goals. You can learn to manage; everyone has the potential. **Management** has *a direct impact on students, subordinates, friends*, etc. **Leadership** – *the presence of followers and a common goal, on the achievement of which joint efforts will be directed.*

**Leadership (management)** is the ability of an individual to influence other people to achieve some goals. It is assumed that the leaders, together with other members of the team, direct their efforts to solve some tasks.

**Leadership** is a two-way process that takes place between people. Leadership is about "working with people" as opposed to administrative paperwork or taking action to solve problems. Leadership is dynamic and involves the use of personal authority and rights.

*One of the main differences between a leader and a manager relates to the sources of their power, and therefore the level of subordination of employees.* Power is the potential ability of an individual to influence the behavior of other people. **Power** is the main resource at the disposal of a manager that allows you to change the behavior of employees. *There are five sources of power in institutions: law, remuneration, coercion, experience (competence), and reference law.*

*The central figure in the management system of any organization is a manager – a leader* who manages the organization

(enterprise) itself, some specific type of activity, function, division, service, group of people, etc.

***There is a difference between management and leadership. Management is defined as the mental and physical process that leads to the fact that subordinates carry out official assignments and solve certain tasks. Leadership, on the other hand, is the process by which one and the same person influences the members of a group.***

***The head of an organization is a person who is both a leader and effectively manages his subordinates. Its objective is to influence others in such a way that they carry out the work assigned to the organization.***

***American researchers Robert Blake and Jane Mouton emphasize that strong and effective leadership contributes to the creation of an atmosphere of participation and collective support for the goals of the organization, in which its members are stimulated to remove obstacles and achieve maximum results. Therefore, the basis of effective leadership is skillfully built relationships with subordinates.***

***To ensure effective leadership, the following six elements must be taken into account: initiative; Awareness; protection of one's opinion; Decision-making; conflict resolution; Critical analysis.***

***Leadership is based on management categories such as leadership, influence, and power.***

***Leadership is the ability to influence individuals and groups of employees in order to focus their efforts on achieving the goals of the organization.***

**Influence** is any behavior of one individual that brings about changes in the behavior, relationships, feelings of another individual.

The specific means by which one person can influence another can be different: from a request to threats.

To make their leadership and influence effective, a leader must develop and exercise power.

**Power** is the ability to influence the behavior of other people.

## **2. The concept and essence of leadership**

A **leader** is an essential link in a social group. As soon as a human community appears, its own leader is formed in its structure. With the expansion of the scope of activity, a **hierarchy of leaders is formed**. In this situation, "**formal**" and "**informal**" leaders come into play. «**Formal**» receive the authority to manage people from the hands of a higher authority, "**Informal**" become leaders according to the recognition of others. A leader is perceived according to four models:

1. "**One of Us.**" It is assumed that the lifestyle of a leader is identical to that of any member of a social group.

2. "**The Best of Us.**" It is implied that the leader is an example for the whole group as a person and a professional. In this regard, the leader's behavior becomes an object of imitation.

3. "**The embodiment of virtues.** «It is believed that the leader is the bearer of universal norms of morality. The leader shares social values with the group and is ready to defend them.



4. **"Meeting our expectations."** People hope for the consistency of the leader's behavioral actions regardless of the unstable situation. They want the leader to always be true to his word, not to allow deviations from the course of behavior approved by the group.

**The essence of leadership is that the leader** should not focus only on the production process, but be a leader who has psychological experiences. **Not every leader (manager) can become a leader.**

a) **honesty** – complete clarity about the observance of the norms of universal morality. The answer to the question - "Would you go with this person on a reconnaissance mission?" - should be positive;

b) **intelligence** - speed, flexibility and predictiveness of the mind; sustained attention, ability to speak the language; curiosity;

c) **the ability to understand people** – the ability to understand the behavior of the interlocutor; the ability to see a person as a person; the desire to enrich a person spiritually;

d) **stability of views** – an adequate response to the situation; control over emotions; sustainability of actions;

e) **self-confidence** – the desire to take responsibility; perseverance in achieving the goal;

e) **modesty in everyday life** – lack of aspiration to luxury; rationalism in the handling of things; tendency to self-service;

f) **erudition** – breadth and depth of knowledge in various fields of science and technology; good knowledge of philosophy, political science, history; knowledge in the field of human science.

*Management theorists and practitioners have come to the conclusion that the leadership process needs to be managed.*

*a) taking into account the psychological regularities of the functioning of the social group* (spontaneous manifestation of group reactions, realization of intra-group goals, functioning of an informal leader);

*b) taking into account the production goals proposed to the group;*

*c) creation of a combination of informal actions* (organization of a working group with features of informal, interweaving of internal and external goals; implementation of the functions of an informal leader by the manager).

A manager, becoming a leader, carries out his managerial functions (planning, organization, motivation, control) through the prism of an informal leader. Leadership in the management system is manifested in three areas:

*a) organization of employees' activities:* setting specific goals; coordination of efforts; description of the results; playing the role of a presenter;

*b) motivation of subordinates' activities:* to inspire purposeful behavior; meeting individual and group needs; creation of group synergy (a visual demonstration that joint group activity is something more than the arithmetic sum of individual efforts);

*c) ensuring the mission of the group:* representing the interests of the group outside of it; maintaining a balance between the internal and

external needs of the group; determination of the prospects for the development of the group.

**Leadership is the activity of the manager**, his purposeful influence on the behavior of individuals or the whole work group; the tools of such influence are the communication skills and personal qualities of the manager that meet the external and internal needs of the group.

### **3. Behavioral theories of leadership**

*There are many means of influencing other people. In research on this issue, three approaches can be distinguished:*

- approach from the position of personal qualities of the leader;*
- behavioral approach;*
- situational approach.*

*Approach from the standpoint of the leader's personal qualities.*

The theory of personality is based on the idea that the best of managers have a certain set of personal qualities common to them. *The main objectives of the approach from the standpoint of personal qualities are:*

- 1) determination of a set of personal qualities that ensure success in management;*
- 2) determining the ways of cultivating such personal qualities.*

Within the framework of the approach from the standpoint of personal qualities, numerous studies of various qualities have been

conducted that ***have demonstrated successful managers***: the level of intelligence, the *level of special knowledge, common sense, responsibility, initiative, self-confidence, etc.* ***The results of the research showed that***: there is no certain set of personal qualities that are inherent in all successful managers; the same leader demonstrated different (opposite) personal qualities in different situations.

Based on this, they came to the conclusion that a ***person does not become a successful leader only due to the fact that he has a certain set of personal qualities.***

***Behavioral approach.*** According to the behavioral approach to leadership, the effectiveness of management is determined not so much by personal qualities as by how the ***leader behaves with his subordinates***, the ***behavioral approach is based on the management style.***

***Management style is the manner of behavior of the leader*** in relation to subordinates, through which the influence on the employees of the organization is carried out.

***The manner of behavior of the leader is formed under the influence of many factors, which, moreover, are constantly changing:***

- *personal qualities of the leader;*
- *personal qualities of subordinates;*
- *the tasks and actions they perform.*

***In management theory***, the style of a particular leader acts ***as a position on the continuum***, any of the intermediate management styles is characterized by different degrees

*the influence of the extremes of the continuum.*

*Autocratic-democratic continuum of management styles.*

*The autocratic–democratic continuum of management styles is based on the "theory X" and "theory Y" of Douglas MacGregor, who singled out two systems of ideas about the motives of people's production activities.*

*According to Theory X, employees are inherently lazy, irresponsible, trying to avoid work at the first opportunity, and must be constantly forced, directed, and controlled to achieve the organization's goals. Fair wages can make work tolerable, and the required level of performance will be the result of constant monitoring. «Theory X" characterizes the foundations of autocratic government.*

An autocrat has enough power to impose his will on the executors and, if necessary, does so without hesitation. An autocrat believes that his leadership is based on the authority of the position he holds.

*The power of power automatically forces subordinates to obey orders and instructions.*

*Characteristic features of an autocratic leadership style:*

- high centralization of powers;*
- high structure of the work of subordinates;*
- sharp restriction of subordinates' freedom to make decisions;*
- numerous rules of conduct;*
- appeal to low-level needs of subordinates (according to Maslow).*

*According to "theory Y", on the contrary, the manager sees his subordinates as hardworking, responsible, striving for approval and*

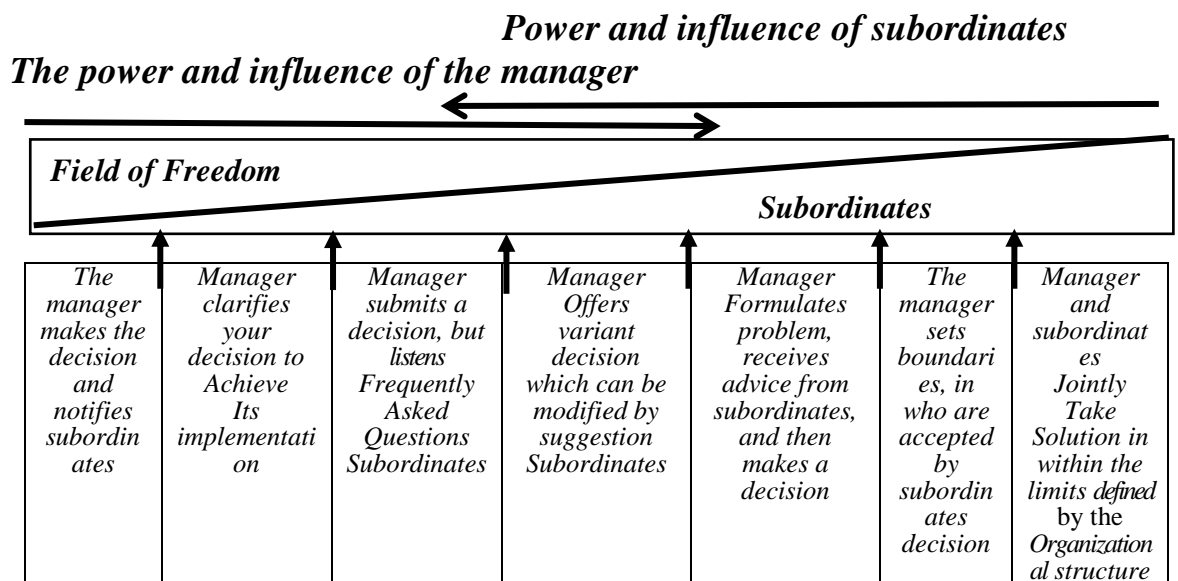
support. This theory recognizes that external control and the threat of punishment are not the only means that direct people's efforts.

A person is able to control himself if he is moving towards the goal in the achievement of which he is interested. "Theory Y" characterizes the foundations of democratic governance.

**A democratic management style is characterized by:**

- high degree of decentralization of powers;
- active participation of subordinates in decision-making;
- a well-established system of communication between manager and subordinate;
- appeal to the needs of subordinates at a higher level.

**The results of MacGregor's theoretical research were reflected and developed in the Tannenbaum-Schmidt model of the autocratic-democratic range of management styles (Fig. 13.1).**



**Fig. 11.1. Models of the autocratic-democratic range of Tannenbaum-Schmidt management styles**

***Liberal management style.*** Liberal leadership is characterized by minimal involvement of the leader. At the same time, subordinates have almost complete freedom to determine goals, make decisions and control their work.

***Comparison of the liberal style with the autocratic one, which was carried out by K. Levin, allowed him to draw the following conclusions:***

1) Compared to ***liberal rule, autocratic governance*** required more work, but led to:

- low motivation;
- less originality;
- greater aggressiveness of group members;
- greater dependence and submissive behavior towards the leader;

2) ***Consequences of Liberal Governance:***

- reducing the amount of work;
- decrease in its quality;
- insufficient satisfaction of subordinates with the management style.

***R. Likert's range of control styles.*** Other criteria for the continuum of management styles were proposed by ***R. Likert.*** Foreign positions of the continuum were taken fundamentally new management styles:

- 1) *the management style is focused on work;*
- 2) *The management style is person-centered.*

***Managers who are focused on work*** (task-oriented) care (care) first of all about the fulfillment of the task, about the system of remuneration for the performance of work, about increasing productivity.

***Human-centered*** (employee-oriented) managers strive to increase productivity primarily by improving human relations (participation of subordinates in decision-making, assistance in solving problems, etc.).

***R. Likert proposed four basic systems of management styles:***

- *exploitative and authoritarian;*
- *supportive-authoritarian;*
- *consultative and democratic;*
- *participatory (the process of involving a wide range of participants in the formation and functioning of relevant political systems) – democratic.*

***According to R. Likert, the fourth system is the most effective.***

***Two-dimensional interpretation of management styles. Scientists at the University of Ohio have proposed a fundamentally new classification of management styles.*** Based on the results of their research, they came to the conclusion that although an autocratic leader cannot be democratic at the same time, he is able, paying a lot of attention to work, to take care of human relations (you can be at the same time demanding and attentive, caring for people). In other words, the manager can behave in such a way that he will be both focused on work and people at the same time.



## 4. Situational Leadership Theories

*The main drawback of all behavioral theories of leadership is the attempt to determine a single optimal management style. Subsequent studies on leadership have shown that along with the personal qualities of the leader's behavior, the so-called *situational factors* significantly affect the effectiveness of management.*

*The goal of modern situational leadership theories is to **identify the personal qualities of managers and management styles that best suit certain situations**. This means that the management style must change depending on the specific situation, that is, the leader must be able to behave differently in different circumstances.*

### *F. Fiedler's situational model of management.*

In F. Fiedler's model, *three factors* are taken into account:

- *the nature of the relationship between the manager and subordinates* (loyalty of subordinates, the degree of trust in the leader, the attractiveness of the leader's personality, etc.);

- *the structure of the task to the subordinate* (familiarity of the task, clarity of its formulation, the possibility of structuring, etc.);

- *the official powers of the manager* (the limits of power associated with the position of the manager, the degree of support of the manager by the top management of the organization, etc.).

*At the same time, F. Fiedler believed (the basic provisions of the theory) that:*

- *the style of each particular leader remains generally constant (stable);*

- *the manager is not able to adapt his leadership style to the conditions of a particular situation;*

- *It is necessary to appoint a manager to lead a unit, whose stable style is most suitable for the situation in this department.*

This approach, according to F. Fiedler, provides ***a balance between the requirements of the situation and the personal qualities of the leader.***

***To determine the personal qualities of the leader (his stable management style), F. Fiedler proposed to conduct a survey of managers.*** The survey aims to find out the attitude of the manager to the subordinate with whom he least wants to work (the least attractive colleague is the NPK). ***The logic of evaluating the results of the survey is as follows:***

- a manager who characterizes the NPK in a relatively friendly way, as a rule, is focused on human relations, attentive to subordinates;

- a manager who harshly, negatively describes the CDD, is mainly focused on the task and is little concerned with the human aspects in management activities.

***F. Fiedler's model assumes that:***

- *relations between managers and subordinates can be both good and bad;*

- *the task can be structured and unstructured;*

- *The official powers of the manager can be strong and weak.*

Various combinations of these factors give eight possible control styles. This allows us to draw the following conclusions:

- task-oriented managers are most effective in situations 1, 2, 3 and 8;

- ***Human-centered*** leaders manage effectively in situations 4, 5, and 6;

- In situation 7, ***both types of*** managers can work well.

***The theory of the "life cycle" by P. Hersey and C. Blanchard.*** ***The theory of "life cycle" is based on the*** hypothesis that the effectiveness of the ***management style depends on the degree of "maturity" of performers (subordinates).*** Within the framework of this theory, "maturity" means:

- *the ability of a subordinate to be responsible for his/her behavior;*

- *the desire to achieve the goal set for him/her;*

- *education and experience on the specific task that needs to be performed.*

At the same time, "maturity" is not a constant (unchangeable) feature of a particular person or group of performers, but rather a characteristic of a specific situation. This means that depending on the task that is performed, people show different degrees of "maturity". Accordingly, the leader must change his behavior depending on the degree of maturity of his subordinates.

The model defines ***four management styles*** depending on the degree of "maturity" of performers:

*S 1 – "to give instructions"*. This is a combination of a low level of human-oriented and a high-level task-oriented. This style is intended for subordinates with a low level of "maturity" (*M1*). In this case, subordinates either do not want or are not able to be responsible for a specific task. That's why

they need instructions, instructions, strict control;

*S 2 – "sell"*. It is both highly person-oriented and work-oriented. Subordinates are willing to take responsibility but are unable due to their average level of "maturity" (*M2*). Consequently, the leader chooses task-oriented behaviors and maintains the enthusiasm of the performers;

*S 3 – "involvement"*. In such a situation, subordinates are able, but unwilling, to be responsible for the task. Subordinates know what to do and how to do it, they do not need specific instructions (average maturity level – *M3*). However, they should feel involved in the fulfillment of the task. Managers can increase the motivation of subordinates by empowering them to participate in decision-making.

*S 4 – "delegation"*. Subordinates are both capable and willing to take responsibility. The behavior of the leader in such a situation can combine a low level of orientation to both tasks and human relations. The leader allows subordinates to act independently.

## Chapter 12.

### Chapter 14. Information and Communication in Management

#### Lecture plan



1. Concept and classification of information.
2. Technology of information activity.
3. The process of communication and its

role in management.

4. Types and forms of communication.

#### **1. Concept and classification of information.**

**Management information** is data that is the object of storage, transmission, transformation and is used to actively influence the regulation of the organization's production activities.

*Information in the management process is both an object and a product of labor.* It eliminates uncertainty, allows you to study the state of the object, forms and methods of activity. Without this evidence, a management decision cannot be processed. In turn, this decision itself is certain information for workers in the field of production. **Information** is the basis of a management decision, as it involves its collection, processing and analysis in the process of processing a decision. With the help of information, cyclically repeating the stages

of the management process, obtaining and processing evidence about the state of the management object and transmitting management commands to this object is carried out. With the help of information, the relationship between the management body and the management object, or between different levels of the management system, is realized.

*Information has the following features: at a certain stage of the process, management is a product of labor, and at the subsequent stage it is its subject; can be used for a long time, and does not lose its consumer qualities when used; has the ability to accumulate, which allows you to more clearly establish connections and trends in the development of the managed process, and at the same time can become obsolete as a result of changes; The structural divisions of the organization act as both consumers of information and sources.*

*The sources of management information can be top management, subordinate managers and management bodies, mass media, information systems, periodicals, samples of equipment, technical documentation, reference books, documents, photographs, microfilms, indicators of devices, etc.*

*Types of information used in management are classified according to the following criteria: content - political, directive, legal, scientific and technical, economic, planning, administrative, production, business, regulatory and reference, accounting and accounting, statistical; direction of movement – incoming, outgoing; the nature of fixation – fixed , non-fixed; method of fixation –*

documented, sound, audiovisual; *relation to the subject of management* – external, internal; *degree of processing* – primary, arbitrary, final; *degree of constancy* – constant, variable; *form of provision* – alphabetic, numeric, encoded; *processing capabilities* – amenable and non-processing; *saturation* – sufficient, insufficient, unprofitable; *truthfulness* - reliable, unreliable.

*For the managerial and business activities of managers, the content of information is of the greatest importance.*

*Political information* reflects the state's policy on business, socio-economic development, and various forms of management.

Directive information is produced by higher bodies that determine the strategy of economic activity of managers and which serves as the basis of management.

*Legal information* determines the status of each employee, his official position and with the help of which the norms of economic and administrative law are established, legality is observed.

*Scientific and technical information* provides data on the achievements of science and technology, for the acquaintance with which departments or bureaus are created in organizations.

*Economic information* is used to substantiate management decisions and manage the economic development of an organization. It includes calculations of economic indicators, results of economic activity, market analysis, pricing, etc.

*Planning information* is represented by tasks, flow charts, plans for work periods, work plans, etc.

***Administrative information*** is intended to formalize business relationships between organizations, citizens and eliminate deficiencies; is drawn up in the form of orders, directives, instructions, provisions;

***Production information*** contains operational reports on equipment, technology for the implementation of production plans and sales of products.

***Business information*** contains information about market prices and their trends, the level of competition, the timing and volume of product receipts, service and advertising, opportunities for commercial operations, entrepreneurship, commercial risk, etc.

***Normative and reference*** information includes production and service standards, tariff system of remuneration, salaries, reference data on equipment, technology, labor organization.

***Accounting information*** allows you to control the course of production and its results, the use of funds, and profit.

***Statistical information*** provides reliable scientifically based information that allows you to make the right decision.

The content of information is determined by the needs of management units and management decisions. Basic requirements for information: accuracy and reliability, correct selection of primary reports; optimality of systematization; sufficiency and satisfaction of the needs of individual managers; Availability; timeliness of receipt.

***The information must be sufficient, that is, its quantity and quality fully show the state of affairs.*** It is necessary to determine that



a lack of information leads to poor decision-making, and excessive information complicates the development of solutions and increases their cost.

*The veracity of the information is determined by its reliability, one-time registration, and accuracy of transmission.* If information passes through three or four transmission links, its veracity is reduced to 10% due to aging and distortion.

*The accessibility of information lies in the fact that it is located and accumulated in such a way that it can be quickly and easily perceived and used in management.* The language of the message should be understandable to the addressee, visual information is important: graphs, tablets, light boards, slides.

*In the process of perceiving information, the external environment and situation matter.* An important meeting place for persons exchanging information, the nature of the information itself, who initiated the meeting, the presence of other persons, noise, music, everything that can influence and distract the attention of the transmitter and receiver of information.

*The perception of information also depends on the time allotted for the participants in the exchange. Information should reach managers in a timely manner, and if it is late, then undesirable situations arise that affect the organization of production.*

## **2. Technology of information activity.**

***Management information technologies*** are a set of methods, processes and software and hardware combined into a technological chain that provides collection, processing, storage and distribution (transportation) of information in order to reduce the labor intensity of using an information resource, as well as increase its reliability and efficiency.

***The technology of information activity includes such concepts as material and technical base, types of information technology, record keeping system, information carriers, information databases, application software packages.***

***The development of the material and technical base of information activities was carried out in several stages.***

***The first stage – the 50-60s of the XX century*** – is characterized by the creation and use of large-sized computers, the development of technology that accumulated, systematized, processed and issued information.

***The second stage – the 70s*** - is characterized by the creation and use of microprocessors in production, information, transport and other types of equipment. This direction in the development of electronics gave impetus to the creation and rapid distribution of miniature types of computer technology (mini, macro and personal computers), which contributed to the accumulation of information in a variety of forms.

***At the third stage – the 80s – the beginning of the 90s of the XX century*** – information technologies become more efficient, more and

more deeply cover both controlled production processes and the management processes themselves, ensure the formation of autonomous and integrated computer systems.

***Electronic technology allows*** you to reduce management costs and accelerate the adoption of sound management decisions; significantly increase the efficiency of design and engineering developments; provides effective planning; facilitates the work of secretaries and clerks, and in accounting – facilitates the preparation of written financial documents, the implementation of cashless relations with banks and financial institutions.

***The following types of computers are used in the internal information system:*** personal computers, microprocessors, telecommunications, electronic writing machines, means of automated processing of text information, etc.

***In the system of operational production management, minicomputers are used for: development of operational production plans and control over their implementation; control over the movement of stocks of materials necessary for production; payroll calculations; control over the receipt of orders; analysis of data on product sales; registration of receipt of payments, accounting and reporting.***

***Technical means of modern information technologies must meet certain requirements:*** quickly solve individual problems; have sufficient memory and information capacity, as well as developed communications. These requirements are due to the specifics of

information processes in organizations that require prompt processing and analysis of large amounts of information.

***Types of information technology.***

***When organizing the collection and registration of data on the principle of sequential decisions, various types of information technologies are used:*** collection and registration of data directly in the production process in the form of a single document and the use of a central computer for their aggregation; data processing in dialogue mode for calculating indicators on the terminal; obtaining a free document, using a machine-counting data carrier, processing data on computers.

***Characteristic features of new technologies are: integration of information,*** which provides for a single unified form of provision, storage, search, display and protection of data; flexibility (the possibility of adapted quick restructuring of the form of the way of presenting information in the process of solving a problem); interactivity (dialog mode of solving problems with wide opportunities for the user).

The record-keeping system is developed on the basis of special programs aimed at facilitating access to and use of the necessary information.

***Important types of records include:***

✓ ***technological documentation,*** drawings, engineering and design calculations; ***scientific documentation,*** research and development, patents and other intellectual property;

- ✓ *accounting and financial reporting data*, financial documentation; *payroll calculations for employees*;
- ✓ *texts of contracts and accompanying documentation*;
- ✓ *annual reports and minutes of general meetings of collectives and shareholders*;
- ✓ reporting data for *multivariate calculations* within the framework of marketing programs for the product and business unit; data for the development of plans and their indicators.

*Information carriers have a certain form, which contains information about the organization* as a whole and separately for each department. Each form has its own list of statistical data and factorological information, which allows you to conduct a detailed economic analysis of the state and development of the organization's economic activity, to develop and make the necessary management decisions.

*There are the following types of forms: for storing information, registering data, statistical (financial) reporting, surveys.*

*Since the needs for information and its content change depending on internal conditions, there is a need for constant clarification and revision of the forms that contain primary data.*

*Information databases include the whole complex of statistical indicators of the economic activity of the organization as a whole and its production and sales divisions, as well as factor logical material regarding all factors that affect the state and trends of the organization's development.* Usually, when forming a database, the

question of the system of its storage and updating is resolved, as well as reasonable linking, mutual consistency, the possibility of making comparisons and comparison of data. *Databases are continuously updated on a certain system base, taking into account the main users - managers.*

### *Creating Application Packages*

*Both large and small specialized organizations are engaged in the development of application packages.* They are focused on the development of programs for personal computers of one type, others – on the development of software packages for various types of personal computers. *Specialists from government agencies and universities are also engaged in the development of application packages on the basis of specific orders and contracts.*

*The effectiveness of modern information technology largely depends on the chosen strategy for its implementation. There are two strategies for the introduction of modern information technologies: new information technology that adapts to the current management system; New information technology is being introduced into the modernized management system.* The effect of implementing the first strategy is low, but the costs are also insignificant. The costs of the second strategy are high, but the effect is maximum.

### **3. The communication process and its role in management**

***Communication is the exchange of information*** between people, with the help of words, letters, symbols, gestures, through which the attitude of one employee to the knowledge and understanding of another is expressed, trust and mutual acceptance of views are achieved. This is a necessary element in the activities of a manager who, communicating with subordinates, receives information for decision-making, maintains business contacts with partners. If communication is eliminated, then the organization ceases to be manageable, Its activities become chaotic and uncoordinated.

***Recognize three aspects of communication: technical, semantic and pragmatic.*** ***The technical aspect*** is associated with the processes of transmitting information from one point, equipment, or person to another through the appropriate channels. ***The semantic aspect*** reflects the transmission and reception of information, including its understanding by the recipient. ***The pragmatic aspect*** takes into account the impact of the information received on the behavior of recipients and the effectiveness of the use of this information.

***The implementation of communications*** is a binding process necessary for every management action. There is an opinion that effective managers are those who have succeeded in establishing communications.

***The organization of communications contributes, on the one hand, to an increase in productivity, and on the other hand, to the achievement of satisfaction in group interaction.*** In a broad sense, communication not only contributes to the intellectual development of

the individual, but also represents a means of managing a society or social group.

*The main objective of the communication process is to provide an understanding of the information that is the subject of the exchange.* But the mere fact of exchanging information does not guarantee the effectiveness of communication between people in it. For a better understanding of the information exchange process and the conditions for its effectiveness, it is necessary to have an idea of its stages, in which several people are involved.

*In the exchange of information, the following basic elements are distinguished (Fig. 12.1):*

*Sender* - a person who generates ideas or collects information and transmits it;

*Coding* is the process of transforming ideas into symbols, images, drawings, shapes, sounds, language;

A *message* is information encoded by means of symbols that is transmitted to the receiver;

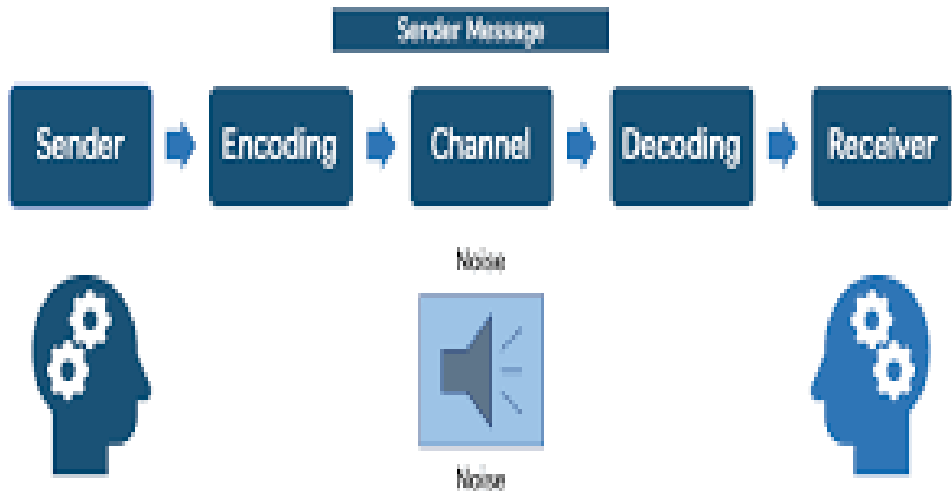
A *channel* is a means of transmitting information by which a signal is directed from a transmitter to a receiver;

*Decoding* is the process by which the receiver of a message translates the received symbols into specific information and integrates its meaning;

The *recipient of the information* is the person to whom the information is assigned and who interprets it.



When exchanging information, the sender and receiver go through several interrelated stages. **Their main task is to compose the message and use the channel to transmit it in such a way that both parties understand and share the original idea.**



**Fig. 12.1. Simple Model of Information Exchange**

*The stages of information passage are interrelated and consist of: the birth of an idea; encoding and channel selection, transmission and decoding.*

**The birth of an idea.** The exchange of information begins with its formation or selection. The sender decides which significant idea or message needs to be exchanged. Unfortunately, many attempts to exchange information fail at the first stage if the sender has not thought through the idea enough. To carry out an effective exchange of

information, many factors must be taken into account. An idea cannot be contained only in general praise or criticism of the behavior of subordinates.

***Encoding and channel selection.*** To convey an idea, the sender must encode it with the help of symbols, using words, intonations, and gestures. He must also select a channel that is compatible with the type of characters used for encoding (language, written materials, electronic communications, computer networks, e-mail, etc.). If the channel is not suitable for the physical embodiment of symbols, transmission is not possible.

***The choice of means of communication should not be limited to a single channel.*** It is advisable to use two means of communication. Focusing on two channels forces you to prepare more carefully for the exchange of information and record the parameters of the situation in writing, but the information exchange does not have to be in writing.

***Transfer.*** The sender uses the channel to deliver the message to the receiver. Transmission is one of the important stages that must be passed to bring an idea to another person.

***Decoding.*** After the message is transmitted by the sender, the receiver decodes it. Decoding is the translation of symbols into thoughts. If the characters chosen by the sender have the same meaning to the receiver, then the exchange of information will be effective.

***A response*** is a set of reactions of the recipient of a message after reading its content.

*A significant increase in the efficiency of the exchange of management information is facilitated by feedback, when the sender and receiver change communicative roles.* Feedback is the part of the receiver's response that goes to the transmitter (sender). Two-way exchange of information is more effective in relieving tension and increasing confidence in the correctness of the message. Feedback characterizes the degree of understanding, or misunderstanding, of the information contained in it.

*Stable feedback can significantly increase the reliability of information exchange and partially avoid its loss, various obstacles that distort the content.*

*Obstacles to the exchange of information can be:*

*Obstacles are due to perception.* People react not to what is actually happening, but to what they perceive. The message is interpreted differently depending on the type of occupation, specialty, in cases of distrust and antagonism.

Senior executives are mostly supplied with positive information. Subordinates do not inform them of bad news. The main reason for this is the fear of punishment. A leader who does not create a positive climate in the team receives only a reduced amount of information.

*Semantic barriers* are caused by different understanding and interpretation of words, gestures, and intonation. Words and gestures have different meanings and not everyone can understand them, which is caused by differences in education, qualifications, poor knowledge of a foreign language, and national characteristics.

*Nonverbal obstacles are the use of* symbols other than words. Examples of this are the exchange of glances, facial expressions (smile, incomprehension, raised eyebrows, lively or absent gaze, look with approval or disapproval, use of the finger, covering the mouth with the hand, sluggish posture, intonation, voice modulation).

*Poor feedback*, which reduces the effectiveness of communication. The main reason for this is the ability to listen. The art of effective listening is the following: stop talking; help the speaker to fish out his or her opinion freely; be patient; do not allow disputes; Ask questions.

*Obstacles in organizational communications.* The main ones are: distortion of messages; information overload of the manager; imperfect management structure and communication technique.

*Obstacles are associated with purely physical and psychological moments:* fatigue; poor memory; inattention; impulsivity that interferes with concentration; excessive emotionality; impatience.

All this prevents one of the participants in the exchange of information from fully conveying to the other, and the other from perceiving it accordingly, which will ultimately affect the quality of management decisions.

#### **4. Types and forms of communication.**

*Effective communications are necessary for the successful operation of the organization. The manager, performing his role and*

*performing the main functions, with the help of high-quality and timely information, can effectively influence the implementation of the goals.* Studies have found that almost 50% of information does not reach subordinates. In many cases, messages are misunderstood and therefore the exchange of information becomes ineffective.

*The task is, first of all, to skillfully use various types of communication, among which we note:*

*Informing, transmitting information.* This type of communication includes lecturing, speaking, talking, holding meetings and gatherings.

*Expressive communication,* which is expressed in the power of manifestation of feelings, experiences (meetings after a long separation).

*Persuasive, means the* desire to influence others (expressing admiration, request, persuasion, which is especially important for politicians, lawyers).

*Socio-ritual,* which involves the use of norms and customs of socio-cultural behavior (acquaintance procedure, customs, hospitality).

*Paralinguistic communication* involves communication through facial expressions, eye and mouth expressions, and posture movements. The possibilities of non-verbal messages should not be underestimated, because in some cases words alone cannot convey all emotions.

*Various types of communication can be divided into:*

*Oral, written and visual in the form of presentation.* Verbal communication is the most effective, which can convey all the details

and exclude misunderstanding. Written communication does not allow the slightest inaccuracies, takes time, and leads to unnecessary bureaucratization of the management process.

***Instructing, motivating and informing***, according to the target orientation.

***Bottom-up*** communications are carried out in the form of reports, proposals and explanatory notes, the main purpose of which is to inform higher authorities about local affairs. ***Downstream*** communications inform subordinates about the strategic plans of the organization, and ***horizontal*** communications exchange information between different structural units to achieve coordination and harmonization of activities.

***The main forms of communication are:***

***Communication between the organization and the external environment.*** The organization uses various means of communication with the external environment. She communicates with potential consumers through advertising. In relations with the public, special attention is paid to creating a positive image of the organization, and with government agencies to providing high-quality and timely reporting.

***Cross-level communications in the organization.*** Information within the organization moves within vertical communications from a higher level to a lower level and vice versa. In this way, the administration informs subordinates about current tasks, changes in priorities, specific tasks, and upward communications perform the functions of notifying about the state of affairs on the ground,

information is provided in the form of reports, proposals and explanatory notes.

***Communications between different divisions (departments).***

Since the organization is a system of interrelated elements, management must strive for their clear work. Interaction between departments is mainly carried out on the basis of horizontal communication, which leads to equal relations, and ultimately to employee satisfaction.

***Communication between managers and the working group.***

These communications allow the manager to increase the effectiveness of actions with the working group as a whole. Since all members of the group participate in the exchange, everyone has the opportunity to express their opinion about the existing changes and their consequences; about increasing labor productivity, about problems of an innovative nature. Equality relationships can help improve employee job satisfaction.

***Informal communications.*** The channel of informal communication is often referred to as the channel ***for spreading rumors***. Studies have found that rumors are 80-90% confirmed in relation to non-contradictory information. Typical information that is transmitted through rumor channels is: *the next reduction of employees; new penalties for absenteeism and tardiness; changes in the structure of the organization; subsequent transfers and promotions; swearing at two managers, as well as who makes appointments after work and whom.*

*Personal communication* includes all types of information exchange that takes place between people.

The nature of the communication system depends on the type of structural systems used to build the management system. *The main types of structural diagrams are: linear, ring, honeycomb, multi-linked, star, hierarchical.*



## Chapter 15. Management Efficiency

### Lecture plan



1. Efficiency and quality of management.
2. Factors influencing the effectiveness of management
3. Criteria and indicators of management effectiveness.

#### 1. Efficiency and quality of management.

*Management in a market economy presupposes economic freedom and full responsibility for the results of labor, attracts additional labor, financial and material resources to the sphere of production.* For the owner, it is important for the management team to create strategic advantages of the organization in the market and strengthen the competitiveness of the company's products.

*Management efficiency* is the cumulative effectiveness of the work of the entire labor collective of the organization, a system of measures that are the result of individual efforts of the manager and specialists

*Management effectiveness includes the analysis of:*

1. management potential, i.e. the totality of all resources used by the management system;

2. management costs, which are determined by the composition, organization, technology and scope of work on the implementation of the relevant management functions;

3. the nature of managerial work;

4. The effectiveness of people's activities in the process of the organization's work, the realization of interests, the achievement of individual goals.

***Management efficiency is the result of the functioning of the system and the*** management process in the form of manageable interaction! and the control system. It shows the extent to which the governing body implements the goals and achieves the planned results. Management efficiency is manifested in the efficiency of production and is part of it.

***Management effectiveness includes three aspects:***

1. ***finding out whether the result of management is really obtained***, and not the action of other social components, a manifestation of the self-regulating mechanism of self-governing objects;

2. ***search for sources*** of management results (professionalism and talent of managers, quality of legal documents, etc.) in order to use it more actively in subsequent management cycles;

3. ***Establishment of interdependence, coherence between goals and objectives, representations and models*** laid down in management decisions, and actually achieved management results.

Summary information as a characteristic of management results serves as a prerequisite and basis for a comparative measurement of management costs and its results and obtaining appropriate ideas about the social efficiency of management.

*When determining the effectiveness of production management, it is necessary to proceed from the following principles:*

1. Management efficiency is one of the aspects of the efficiency of production itself, so its calculation should be carried out on the basis of generally accepted methods for assessing the effectiveness of new equipment, capital investments, etc.

2. When evaluating investments, it is always necessary to take into account the time difference between investment and return, which is too important for management improvement measures, which sometimes reach several years, especially in industries with a multi-year production cycle.

3. The specificity of managerial work lies in the fact that it is characterized by the results of the whole team, and not by an individual employee of the management. Therefore, it is necessary to evaluate it by the impact on the results of the work of the entire team of the organization or a separate department.

4. Evaluation of managerial work requires comparison of specific data. It is impossible to determine the effectiveness of management in organizations that have different specializations.

5. The efficiency of management of the agro-industrial complex is largely influenced by the specifics of production (seasonality, climatic conditions, use of land as the main means of production) than by the efficiency of production as a whole.

***The criterion of management effectiveness is quality.***

***The quality of management*** is a set of compliance of the behavior of the management system with a specific situation, which allows the organization to confidently hold on to rapid changes in the internal and external environment.

*The quality of management depends on the static and dynamic characteristics of the control system, that is, on its construction and functioning. Therefore, all the characteristics of structures, processes and methods of management, personnel work and others in general determine the quality of management.*

***Analysis of the efficiency of management of social production is too complex a problem.*** An objective assessment of management effectiveness makes it possible to compare different options for organizing management, evaluate them, outline ways to improve, and increase the responsibility of managers and specialists for the results of their work.

## **2. Factors influencing the effectiveness of management**

*The effectiveness of management is influenced by various factors; among which we determine:*

1. *mental and physical capabilities of a person*, his/her ability to carry out managerial activities;

2. the *means of production by* means of which a person, a collective, and society produces everything necessary for life, that is, enhances the mental and physical abilities of a person;

3. *social conditions* that contribute to the disclosure of creative abilities of an individual employee and the team as a whole;

4. *The cumulative impact of previous factors*, enhanced by their integration.

In management, *an important role is played* by human intelligence, the use of computer systems, information support for the work of managers and specialists. The specificity of modern systems, objects and subjects of management consists in the multiplication of human creative abilities through the integration of science, technology and production. Of great importance are the professional level of the manager, his creative abilities, the level of formalization of the accumulated experience, the ability to quickly accept and implement management decisions.

*A significant impact on the effectiveness of management is exerted by such factors as participation in the management activities of the team, improvement of the quality of management employees, scientific organization of labor, etc. The effectiveness of*

*management is affected and in many cases causes difficulties – hierarchy.* Hierarchy sometimes leads to the fact that factors that significantly affect the results of production and economic activity remain outside the competence of the body that directly manages this object (for example, late deliveries due to the fault of suppliers, shortcomings in the balance of production and consumption due to the fault of higher authorities negatively affect the efficiency of management).

*Management efficiency takes into account the property of multiplication, which increases or decreases the managerial effect on the object.* Management decisions and documents, moving from one level to another, are concretized and changed to the moment when they reach the direct executors. In practice, the result in comparison with the expected one can be much better or worse, depending on how understandable it is to the performers, how creatively and energetically the latter act.

There are factors that do not directly depend on the activities of economic management bodies of different levels, but have a significant impact on the final results of production. These include soil and climatic conditions, the ratio of prices in the market, the mechanism of taxation, the motivation of workers, as well as the current system of management of the country's economy, etc. *The best results are achieved by those formations whose management*

*apparatus deftly adapts to new conditions, making the most of them.*

### **3. Criteria and indicators of management effectiveness**

**The criteria for management effectiveness are the effectiveness of the** management activities of managers in the organization, which determines its qualitative aspects.

*The main criteria include:*

**1. Efficiency** – timeliness of preparation and decision-making, as well as the establishment of feedback mechanisms;

**2. reliability of the management system** – reliability, value and timeliness of information, compliance of techniques and methods of work with the current level of scientific and technological progress; level of training, length of practical activity and stability of personnel;

**3. quality of functions**, provision of office equipment;

**4. Optimality of the management system** – the choice of optimal methods of economic decision-making, the validity of the stages of management in the organization, as well as the ratio of centralization and decentralization of management in relation to specific conditions, norms of manageability, etc.

Each variant of the management system corresponds to a certain value of the criterion of efficiency, and the task of management is to

find such a variant of management in which the corresponding criterion would have the most advantageous value.

*As a criterion for the efficiency of production and management, generalized indicators are used that characterize the final results (production volume, profit, profitability, etc.), and partial indicators of the use of certain types of resources (labor, fixed assets, investments).*

*Profit and profitability most fully characterize the final results of activities, respectively, and the effectiveness of management.* At the same time, it is necessary to exclude the influence on profit of factors that are not related to the activities of this economic link. Generalized indicators reflect the result of economic activity and management as a whole, but do not fully characterize the efficiency and quality of human resources management. To do this, use partial indicators. Thus, to assess the increase in the efficiency of the use of labor resources, an indicator of the growth rate of labor productivity is adopted, material – material consumption of products, fixed assets - return on assets. *When assessing the effectiveness of management, it is necessary to comprehensively apply the entire system of generalized and partial indicators.*

*The effectiveness of management activities in relation to the subject of management can be characterized by quantitative (economic effect) and qualitative (social effect) indicators.*

*Quantitative indicators of the management system include:*



1. labor *indicators* - saving of living labor in the field of management (reduction of employees, labor intensity of the management process);

2. *financial* – reduction of management costs;

3. *Time-saving indicators* – reduction of the duration of management cycles as a result of the introduction of information technology, various organizational procedures.

***Qualitative indicators are essential and include:***

1. *Increasing the innovative level of management;*

2. *professional development of managers, specialists and middle managers; the level of integration of management processes;*

3. *increasing the level of validity of decisions;*

4. *formation of organizational culture;*

5. *manageability of the system in the organization;*

6. *job satisfaction;*

7. *strengthening the social responsibility of the organization;*

*Environmental consequences.*

***The social efficiency of management is assessed with the help of indicators that characterize:*** working conditions in the organization; social and living conditions of the organization's employees; qualification of employees; organization and motivation of work.

Rationalization of management contributes to the achievement of a high level of these indicators, as a result, there are positive

changes in the management system and an economic effect is achieved.

**The overall performance indicators of management effectiveness are as follows:**

- 1. Cost of gross output per one average annual employee, thousand tons UAH;*
- 2. Sales revenue per one average annual employee, thousand rubles UAH;*
- 3. Net profit per one average annual employee, thousand UAH;*
- 4. Level of profitability of production, %.*

***In agriculture, specific indicators are used, which have industry characteristics:***

- 1. The cost of gross production per 1 hectare of agricultural land, thousand tons UAH;*
- 2. Revenue from the sale of products per 1 hectare of agricultural land, thousand tons; UAH;*
- 3. Net profit per 1 hectare of agricultural land, thousand tons UAH;*
- 4. yield of the main agricultural crops, c/ha;*
- 5. Productivity of animals on the farm (average annual milk yield per cow, kg; average daily gain, g/day).*

**Indicators of the efficiency of the management apparatus:**

- 1. Share of management costs to the total amount of production costs, %;*

*2. The share of salaries of employees in the management sector in the annual payroll of all employees in the organization, %;*

*3. Share of individual items of expenditure in the total amount of costs for the maintenance of the management apparatus, %;*

*4. Labor costs, thousand tons UAH;*

*5. Travel expenses, thous. UAH;*

*6. Business expenses, thousand tons UAH;*

*7. Transportation costs for company cars, thousand tons UAH. and others. Indicators of managerial labor productivity: the cost of gross output per employee of management, thousand tons; UAH;*

*8. Revenue from the sale of products per one employee of the Department, thousand tons UAH;*

*9. Net profit per employee of the Department, UAH;*

*10. Cost of gross output per man-day spent on management, UAH;*

*11. Revenue from the sale of products per one man-day spent on management, UAH;*

*12. Net profit per man-day spent on management, UAH;*

*13. Net profit per one hryvnia of remuneration of employees of the management apparatus, UAH; other indicators.*

***To assess the efficiency of managerial work, a system of coefficients is also used, which are divided into three groups:***

***1. Coefficients that reflect changes in the level of labor organization:*** division of labor, rationality of labor methods,

*organization of the workplace, working conditions, use of workers' qualifications, performance of duties, level of controllability, management methods; technical equipment, etc.*

*3. Coefficients that determine changes in the level of organization of production management: the rhythm of production, the quality of performance of managerial functions, the efficiency of management, the stability of personnel, the equipment of managerial labor with computer equipment and office equipment, training and advanced training of personnel, the division of labor in the management apparatus, the rationality of management methods, as well as resource potential.*

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