

# Institutional Approach to Analysis and Formation of Control Systems of Subsidiary Business Processes of an Industrial Enterprise

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**Abstract:** At the junction of the XX-XXI centuries, an increasing number of leading managers and researchers in the field of management has identified the effectiveness of the management system as the most important factor in the organization's competitiveness, the main task of which is to make better and full use of the knowledge, experience and skills of the organization's staff. Overall, the main aim of the study is to investigate an Institutional approach to analysis and Formation of Control Systems of Subsidiary Business. Processes of an Industrial Enterprise As an analysis of individual and collective investments of individuals in financial markets, we will evaluate a set of the following factors: a list of professional intermediaries working with a certain investment object or instrument of collective investment, their position on the market and results of work, a set of offered services and products, investment conditions, dynamics of actual investments in this type of asset, its profitability, as well as dynamics of the market as a whole. Until the end of the 1980s, the main element determining the organization of work in enterprises was the function performed by the structural unit (for example, procurement, production, sales, etc.). Thus, the leading world companies had a functional organizational structure.

**Keywords:** Control systems, organization's staff, sub-division employee, internal consumer, subsidiary business processes.

## INTRODUCTION

Institutional analysis reveals the following shortcomings of functional-oriented organizations in terms of support units:

- The staff of the supporting functional units do not fully feel their contribution to the creation of products. Their vision is limited to their functional unit;

The future career and salary level of the sub-division employee depends on the quality of the relationship with the immediate supervisor, so the main task is to satisfy the ambitions of its manager, and not the internal consumer (represented, for example, by an employee of a related functional subdivision) who consumes the product produced by the employee (Eliferov, & Repin, 2006; Zlotenko, Rudnichenko, Illiashenko, Voynarenko, & Havlovskaya, 2019).

Within the functional organizational structure, the monopoly on the performance of a particular function places each functional unit in a unique position where the internal consumer of the product produced by the

subdivision-supplier cannot directly affect the quality of the product. In this case, any conflict between managers of related functional divisions could have a significant impact on the quality of output products. As a rule, the support function is managed only by its direct manager, who personally evaluates the results of the work of his subordinates. Often his assessment is subjective, in this way only "acceptable" performers remain in such a unit (Hellman, Murdock, & Stiglitz, 2000; Marcinkowski, & Gawin, 2019).

## METHODS

The method of analysis and synthesis of data studies socio-economic phenomena, both in parts and in general. The article also uses the simulation method.

## RESULTS AND DISCUSSION

If, under the pressure of the head of the company, any indicators are developed to evaluate the effectiveness of the auxiliary structural unit, then their development is carried out by the head of this structural division, since in this area of activity it is considered the most competent in the enterprise. It should be noted that the performance of these indicators is rewarded by the head of the organizational unit, therefore they initially set low values of the indicators to be achieved, or select such easily achievable indicators on the basis of which it is impossible to characterize the

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performance of the department (Repin, & Eliferov, 2008; Ivancevich, & Konopaske, 2006).

Thus, minimizing labor efforts on the ruble of wages received is achieved. And to track the real labor load of the personnel of the auxiliary unit is very problematic.

Budgeting of the divisions forming overhead costs of the company regarding material inputs (raw materials, materials, energy) is made on the basis of the existing standards and data on their expenses in the reporting period, adjusted for coefficients of the change in the price of the consumed material resources and change of the production plan for the forthcoming period in comparison with the reporting period. And in terms of labor costs, budgeting is carried out on the basis of the size of the wage fund for employees of these divisions in the reporting period, adjusted for inflation, the din-mic of wages of this category of workers in the labor market and the forecast volume of sales of products for the planned period (Kamakura, & Russell, 1993).

It should be noted that the head of the overhead support unit within the functional organizational structure was not adequately motivated to justify the effectiveness of the work of his subordinates and was often unable to do so. In the event that the support unit was faced with complex, non-standard tasks in addition to the current work, its manager, referring to the full employment of his subordinates in the current work, tried to achieve additional funding and increase the staff of his unit instead of organizing their activities in the most optimal mode.

This is actively opposed by the personnel and financial services. For the former, prior hiring of employees means exceeding the established limits on the number of employees of divisions of the company, failure to meet indicative indicators, for which they are deprived of part of the premium. For the financial service, additional expenses not provided for in the financial plan mean an excess of the established budget, which also threatens to deprive part of the premium fund of this service (Lev, 2001).

The positive outcome of this "struggle" for the head of the sub-division was possible in two cases: either he could bargain with the managers of the personnel and financial services or "pressure" them with the help of the head of the company, who could in any way justify the need for additional resources. Managers who know how to negotiate and "pressure" on enterprises with a

functional organizational structure are often called "punching," their functional units are always numerous, which increases the status of their leader in the enterprise.

In such circumstances, where the head of the support unit opposes and opposes the objective evaluation of the activities of the entire structural subdivision and its individual employees, the cost management of the subdivision is carried out through manipulation of the expenditure part of its budget, and optimization is understood as an arbitrary reduction in the budget of the subdivision.

They started talking about the management of auxiliary business processes (BBP), and not powerful structural divisions, after the publication of M. Hammer and D. Champi's book "Reengineering Corporations: A Manifesto of the Revolution in Business," in which they called for a fundamental change in the technology of managing companies, in particular, it was proposed to use a process-oriented approach more actively (Mishkin, 1999; Mercieca, Schaeck, & Wolfe, 2007).

The essence of process-oriented management is that the activities of the entire enterprise are considered as a set (network) of business processes, and mother, information and financial flows move from business processes of suppliers to business processes of consumers in accordance with the pre-developed process documentation, which defines the inputs and outputs of each business process, developed rules for interaction between related business processes, defined business process managers and their authority.

The implementation of process-oriented management involves the following stages: (a) highlighting the business processes of the organization, defining the boundaries of each business process and the sequence of their implementation; b) regulation in the process documentation of all relationships between business processes.

It should be noted that regulation begins with a business process, the results (outputs) of which are consumed by external consumers, i.e. the customers of the organization. This analysis, opposite to the movement of material and information flows within the organization, allows each business process-consumer to make specific requirements for the quality of outputs of the business process-supplier, necessary to achieve the overall result for which the external consumer pays (Rose, 2003).

The reconciliation of business process outputs, that is, the determination of the results of their execution, implies the determination of the results of the activities included in the business process.

From an institutional perspective, process-oriented management was preferable to functional-oriented management for the following reasons:

- The consumer process can quickly control the quality and characteristics of the product produced by the supplier process, i.e. influence the supplier processes;
- changing the requirements of the company's customers causes a chain reaction in the network of business processes of the enterprise, which improves the speed of management and its quality;
- the evaluation of the results of the supplier process "out of," the consumer process, is objective, and the supplier business process manager (guarantor of compliance with the norm, i.e., work, operation) can only really improve the performance of operations (norms, prescribed actions) included in his business process, which forces him to cooperate with the personnel of his business process (addressees of the norm);
- the psychological climate within the team was improving, as it was in the business process manager's interest to recruit qualified staff and retain them. Otherwise, achieving the established objective indicators will be problematic.

It would be wise to pay attention to the investment opportunity available to individuals, such as investments in precious metals. The most optimal way to generate investment income is to open impersonal metal accounts that do not provide for the actual acquisition of metal in material form. Historically, gold is considered as the most popular one among investment metals, as it tracks actual global inflation and is a stable and reliable investment option.

Opening an impersonal metal account is possible in any of the largest Russian banks on the same terms. As a rule, banks do not charge fees for opening and maintaining an account, while earning on the difference in the billed quotes for the purchase and sale of an asset. Since funds in impersonal accounts are not

included in the state deposit insurance system, the only criterion for choosing an intermediary is its reliability and financial sustainability.

VBP cost management is carried out by budgeting and re-working the scorecard that characterizes the effectiveness of business processes and their tasks.

## SUMMARY

Activity-based budgeting is the most appropriate method for budgeting VBP.

The ABB budgeting algorithm involves performing the following steps (Hellman *et al.*, 2000): (a) determining the objects for which costs are allocated, i.e. types of products; b) determination of operations carried out for the production of each type of product; c) taking into account the time, labor and material costs required to perform one operation; d) calculation of the costs of performing each type of operation in natural units of measure and in monetary terms; e) grouping costs by financial responsibility centers or business processes. Budgeting using the ABB method allows you to not only plan the budgets of auxiliary business processes, but also justify them.

The most famous concept of company management based on indicators is the concept of a balanced system of indicators proposed in 1992 by R. Kaplan and D. Norton.

The implementation of this concept involves the development of key performance indicators for assessing the activities of each structural department in four perspectives (areas): finance, customer relations, business processes of the company, training of employees.

The application of this concept allows you to link the strategic goals of the company with the tasks of structural divisions, to cover as many external and internal factors as possible that affect the development of the organization, Manage the organization and each of its subdivisions on the basis of a limited number of indicators, to specify as much as possible the objectives of each organizational unit by assigning numerical values to each performance indicator, which must be achieved and projected to each workplace.

In practice, the implementation of the concept of a balanced scorecard faces challenges, among which are (a) the complexity of developing a valid scorecard, which requires several iterations of their development

and testing, with the result that the implementation of a functioning balanced scorecard takes more than 1 year; b) Indicators that directly contradict each other can be set for different units and even for employees of the same unit.

## CONCLUSIONS

The factors discussed in this article do not cover the fullness and diversity of the causes and factors that affect the cost of supporting business processes and their management.

However, the institutional relationships between structural units, managers and subordinates, as well as the underlying motivating factors of the structural unit within the framework of functional and process management, considered from the point of view of an institutional approach, make it possible to understand and outline the behavior of the main actors in industrial relations.

All this provides opportunities to improve the efficiency of existing management systems in enterprises by developing more effective administrative measures, changing authority and responsibility and improving motivation and reward systems.

## ACKNOWLEDGEMENTS

The work is performed according to the Russian Government Program of Competitive Growth of Kazan Federal University.

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Received on 25-10-2020

Accepted on 27-11-2020

Published on 17-12-2020

DOI: <https://doi.org/10.6000/1929-4409.2020.09.199>

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