Development of the Corporate Management System in the Modern Context

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Abstract: The present article analyzes the differential characteristics of various types of corporate management and determines the indicators of necessity to re-project the processes during the corporate management implementation on variances. The author suggests the economy-statistical model of industrial and business operations of corporations and develops the set of statistically valuable measures of the cost-effectiveness evaluation for production facility. In the conclusion to the present article the author suggests the model of the market capitalization of production facility from a viewpoint of effectiveness of obvious and hidden costs, the shares of the semi-constant expenses in bulk and profits margin.

Key words: Management • Corporate management • Production facilities

INTRODUCTION

Amidst formation of the steady trend of disproportional economy development growth in Russia providing the priority growth rates of the base material sector against the manufacturing activities the problems of the rational management system development for major business entities for their property owners' benefit emerge full blown, which first of all necessitate the workout of a model of corporate management for domestic production facilities adapted to the modern context.

The solving of a problem of production facilities' efficient development providing on a base of resources implementation efficiency improvement available for facilities' owners assumes the implementation of principles of consistency, complexity and balance in management on the one hand and the necessity to considerate the interests of such facilities' owners (including the public owners) on another hand, which in its turn shapes the demand for improvement of the current model of corporate management for industrial business entities.

The basis of the modern system of production facility's corporate management shall be the reasonable management of expenses, which will allow performing the maximization of effective use of labor, material, technical, financial and other resources of production system in favor of owners.

Currently, the assessment of the production facility's cost-effectiveness is a separate accounting and analytical unit of the production management’s subsystem, as a rule, what does not contribute, first of all, to the implementation of the comprehensiveness and consistency principles in management and, secondly, does not allow performing the registration of anonymous costs due to managerial reasons, which assumes the possibility of concentration of manufacturing facility expenses in the invoice format, at that, the double excess of indirect costs over the direct ones is quite a common situation.

RESULTS

The study of existing approaches to the process of corporate management organization at production facilities has proven that there are three basic models (Anglo-American, German and Japanese) in the modern management. The distinguishing features of their implementation are the system of social values, the basic sources of financing, the basic economic units, the structure of share capital and the role of workforce and information asymmetry.

At the same time the significant features of corporate establishments of various type, as the qualitative analysis of their activity demonstrates, are the peculiarities of formation of managerial connections and intercompany
Table 1: The differential characteristics of the module, network, hierarchical and adhocratical types of the corporate management

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Module</th>
<th>Network</th>
<th>Hierarchical</th>
<th>Adhocratical</th>
</tr>
</thead>
<tbody>
<tr>
<td>The level of the management authority centralization</td>
<td>High</td>
<td>Average</td>
<td>Very high</td>
<td>Low</td>
</tr>
<tr>
<td>The level of the management responsibility centralization</td>
<td>Average</td>
<td>Average</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>The reliability of direct managerial connections</td>
<td>Average</td>
<td>Above average</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>The reliability of inverse managerial connections</td>
<td>Average</td>
<td>Average</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>The quality of horizontal connections</td>
<td>Average</td>
<td>Below average</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>The type of management arrangement</td>
<td>4th corporate organization</td>
<td>Flat corporate organization</td>
<td>4th corporate organization</td>
<td>Flat corporate organization</td>
</tr>
<tr>
<td>The quality of the intercompany connections</td>
<td>Average</td>
<td>Above average</td>
<td>Below average</td>
<td>Average</td>
</tr>
<tr>
<td>The rate of information transfer in communicational networks</td>
<td>Average</td>
<td>Above average</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

Communications, which in a wide extent determine the effectiveness of corporate management in strategic prospect.

The lookback analysis of operation and development of the Russian companies has stated that the basic tendencies of the corporate management system development are determined by the key characteristics of intercompany managerial connections, as well as by the quality and effectiveness of intercommunication impact, which allowed us defining the following types of corporate management: module, network, hierarchical and adhocratical managements, which can be determined similarly with the typical managerial structures projected on production facilities, their distinctive features are classified and given in Table 1.

As the above table shows, each of the described types of corporate management has its specific distinctive features determining the level of quality and balance of intercompany interaction. Thereat it should be noted that these characteristics, as the analysis of practice of corporate management and results of financial-economical activity expressed by the financial indexation demonstrates, determine in a wide extend the share of imputed costs occurred as a result of forced and non-forced errors of management.

Thus, the minimal share of imputed costs, which are the most balanced ones, appears in the systems of corporate management of adhocratical type, while in the corporate structures of hierarchical type the share of imputed costs in a result of increase of the management errors' share in some cases can exceed the share of explicit costs. This circumstance dictates the necessity to re-project the system of corporate management taking into account the level of combined costs' efficiency, including the explicit and imputed ones.

As the performed analysis has shown, the effective corporate management of the enterprise development or the integrated production establishment involves the implementation of the fluctuation management system, which, in its turn, dictates the necessity to identify the key performance indicators of a business entity recommended for use as indicators of the fluctuation corporate management system [2]. The set of corresponding indicators in view of type of corporate management and types of processes implemented at production facility are given in Table 2. It can be seen clearly from the below table that the implementation of the fluctuation management concept under the corporate management assumes the use of the various basic fluctuation indicators sets according to the type of the corporate management model, which determines the priority objectives of the production facility development.

Thereat the increase in the decentralization level of the industrial business entity's management assumes the necessity to focus on imputed costs and market position of the company as the indicators of necessity to re-project the processes [6], while the concentration of substitutes and responsibility in the management company within the frames of the corporate management, quite oppositely, assumes the use of average aggregate indicators during the implementation of the fluctuation management principles.

During the study of peculiar properties of the corporate management implementation at the production facilities we have found out that one of the key indicators used during the implementation of the fluctuation management principles is the factor analysis of the unit costs, the results of which allowed us to define the priority directions of regulation of the basic, support and management processes for the purposes to improve the efficiency of operation and development of the production facility [7].

This circumstance has defined the necessity to form the multifactorial economy-statistical model of the unit costs’ impact onto the single cost of goods, which in the most general aspect has the following form:

\[ SC = \sum_{i=1}^{n} a_i \Pi (x_i^3) \]  \hspace{1cm} (1)
where $SC$ means the single cost of goods, RUB; $x_i$ means the $i$-element of the unit costs for production and implementation of goods; $a_i$ means the elasticity ratio at $i$-element of the unit costs; $a_0$ means the constant identified on the base of regression dependence analysis

It should be noted that the value of the elasticity ratio in the offered multifactorial economy-statistical model has a fundamental importance from the point of view of ensuring the corporate management efficiency, which target setting is to provide the cost-effectiveness. Thus, if the value $a_i$ is positive, it means the reduction of the unit costs for this component provides a reduction of the single cost of production in general proportionally to the elasticity ratio [4].

In case if the value of the $a_i$ elasticity ratio is negative, the high-quality, comprehensive reorganization of the management by the corresponding main, auxiliary or management processes [8] shall be performed.

A multifactorial economy-statistical model of impact of the unit cost’s elements onto the single cost of goods built with the use of materials that characterize the production and economic activity of one of the largest corporations in the Republic of Tatarstan – the OAO “Tatneft”, CJSC.
The evaluation of the corporate management implementation based on the assessment of the cost-effectiveness has stated that in order to comply with the efficiency principle during the execute of the analysis of the like indicators it is necessary to form a set of criteria for the assessment of the cost-effectiveness in a view of indicators' types, as well as with a due regard to the nature of the analyzed costs (explicit or hidden).

The set of the cost-effectiveness indicators was formed on the basis of the results of the correlation analysis demonstrated a strong dependence between the dynamics of particular indicators given in Table 3 and the growth rate of the production facilities’ market capitalization performed on the basis of data on the activities of 22 corporations of production sector.

Basing on the results of the cost-effectiveness assessment of particular indicators shown in Table 3 we have formed a group indicators of the cost-effectiveness assessment for the hidden and explicit costs defined as the weighted average of the corresponding particular indicators, while the indexes calculated on the basis of the value of the separate criteria given in the table serve as the weights amidst.

After that we have made a convolution of received group indicators into the integral indicator by a weighted summation of indicators of explicit and hidden costs’ effectiveness, while the proportion of the group criteria of the hidden cost’ effectiveness is 0.5113 and the proportion of the same indicator at the level of the explicit costs is 0.4887 amidst, what indicates the necessity to perform the implicit costs accounting as a part of the fluctuation corporate management.

CONCLUSIONS

Following the survey of the market capitalization dynamics as concerning the production facilities selected for the usage in the present article we have set up the multiple regression equation characterizing the dependence of the market capitalization of the production facility on the explicit and hidden costs effectiveness, the share of the semi-constant costs in the total amount and the profits margin, what allows applying this model in forecasting of the market capitalization dynamics for the companies of the kind:

\[
MC = -183764.3793 + 179769.03 E_e + 75608.81 E_h + 55538.26 S_{sec} - 300475.84 PM,
\]

where MC - means the market capitalization of production facilities, millions of RUB; \(E_e\) - means the group indicator of the share of the hidden costs effectiveness of the production facility; \(E_h\) - means the group indicator of the share of the explicit costs’ effectiveness of the production facility; \(S_{sec}\) - means the share of the semi-constant costs in the total amount of the production facility; PM - means the profits margin of the production facility.

The given model allows forecasting the market capitalization dynamics of the production facility depending on the expected changes in the composition and structure of expenses of the production facility, as well as the prospects for the changes in the efficiency of its resources usage, what, in its turn, forms the methodological basis of the ranking measures for the reduce of the production facility’s expenses implemented in the framework of the corporate management.

REFERENCES