

News / Information

Commercial and Non-Commercial Sectors in Russia: Looking for Collaboration – A Research Note

Peculiarities of Russian social policy of the transitional period are caused by many factors influencing on success of carrying out socio-economic reforms. These are the following.

First. In Russia today system of mutual relation between various objects and subjects of social policy is not formed yet: in the Russian society at the end of 1990s many important socio-economic processes connected to social adaptation of all groups of the population to carrying out economic reforms, to opportunity of transferring individuals and whole groups from one social layer, social group to another with minimal losses, are not institutionalized;

Second. Society preserved significant social rudiments of previous socio-economic formation, which continue to influence present situation in the country and, as a whole, course of socio-economic reforms. The fact of preservation and continuity of certain social institutes formed by state bodies within the framework of paternalistic model of social policy, interaction of these structures with “ward” groups of the population is undoubtedly positive factor of the society development. It adds some stability, healthy conservatism to social development. However it is necessary to understand that under absolutely new economic conditions the continuing interaction between subjects and objects of social policy should accept new forms, should be estimated by new criteria, should put other aims and solve other, rather than at the previous stages of socio-economic development, tasks.

Third. During the last years of economic reforms number of categories of the population already formed the feeling of social responsibility promoting achievement of self-maintenance by the majority of low income groups of people and self-maintenance plus responsibility for solving wider circle of social problems by middle and high income groups of people.

At the same time Russian social policy, we believe, up to the present moment continues to be mainly based on paternalistic principle with regard to many different groups of people, and not just socially vulnerable, unable to self-maintain. Thus, not only the population still treats the state as a source of addressless social guarantees, but also the state continues to carry out redistribution processes without considering real characteristics of financial situation of people. There is a significant overexpenditure of budget means for maintenance of middle and upper class people's standard of living,

unreasonable granting of privileges to groups of the population who in fact do not have actual rights to apply for such support of the state.¹

Fourth. Absence in the Russian society of interaction between different groups of people, between structures, sectors while solving essential social problems. During the time of Soviet Union the state was solving most of the social problems basing on principles of etatism, that is putting all social sphere, its resources and responsibility for social maintenance of all categories of the Soviet citizens under governmental control. However being a totalitarian country, the state was not interested in real attraction of wide layers of the population to self-management, to active creative public activity. Totalitarian state was afraid of occurrence of real social organization of people, fairly believing that being self-organized on the basis of solving certain social problems, the public can transfer its activity into political sphere.

Thus formation of mechanisms of effective interaction between all sectors of economy in solving social problems, creation of adequate economic and legal base of formation of new subjects of social policy in modern Russia are seeing as important ones. In this connection development and introduction of mechanisms of regulation of activity of commercial and non-commercial sectors aimed at stimulation of their activity as subjects of social policy becomes especially urgent.

Main ways of regulation of participation of NGOs in solving social tasks are first of all those that concern the development of normative base of their activity. It is on the basis of normative base the status of NGOs, framework and forms of activity, possible mechanisms of cooperation with various state institutes (bodies of authority, official bodies and organizations, financial and supervising structures), other subjects of social policy are defined.

Legal mechanism is the most important tool of activization of activity of the whole social sphere, including NGOs. In absence of an appropriate legislative base NGOs cannot conduct effective activity, cannot adequately carry out functions of one of the subjects of social policy, cannot fully realize opportunities of partnership relations with state structures, can not productively cooperate with commercial sector, their international contacts are complicated etc.

¹ According to Russian legislation, two thirds of population of the country has a right to receive social payments and privileges. In Russia there are about 150 kinds of social payments, privileges, grants, budget subsidies working for more than 200 various categories of population (veterans, children, invalids, students etc.). Percentage of people having right to receipt social guarantees, privileges and payments is about 68 %, that means almost 100 millions people can apply and they do apply for them, and most of the privileges are given on categorial principle. Extensive net of social payments and privileges which has been formed within former system, during the time of reforms was complemented by new categorial privileges and privileges given in separate regions to various categories of population.

On the initial stage of revival of NGOs in Russia² (first similar structures begin to occur in the second part of 1980s) process of institutionalization of this sector proceeded in conditions of complete legal mess, when there was no special legislative document regulating their activity. Thus establishment of non-commercial sector in our country went in parallel with formation of legal field of its activity. Today it is possible to speak about quite detailed development of the given legal field, however still number of questions requires some to be solved. For example, regulation of activity of sponsors and charitable donators, coordination of legal rules of regional and federal legislative documents etc.

Second tool that is available for state bodies is a financial mechanism of functioning of organizations and establishments of the third sector. The financial mechanism of stimulation by the state of activity of NGOs in Russia is realized in two basic forms:

1. Direct receipt of financial or other resources given from budgets of various levels to organizations of the third sector for solving tasks of regional social policy;
2. Granting various financial privileges to both organizations of the third sector and commercial structures participating in financing of non-profit organizations.

It is possible to say that in Russia the financial mechanism of stimulation of activization of activity of the third sector exists, however requires significant updating and perfection. In particular, we believe, that updating of mechanism of financing of social projects and programs used in foreign practice should be used but with an indispensable condition of adaptation to the Russian realities, in particular, practice of social orders.

Third group of tools for stimulation of NGOs activity is non-financial levers of activization of non-commercial sector (conditionally can be named as organizational or marketing tools).

First form of these tools is the inclusion of NGOs in the system of monitoring of activity of commercial and state structures, of quality of goods and services produced by them. In this connection it is necessary:

Expansion of rights of organizations of the third sector to represent interests of consumers mentioned by law of Russian Federation “About protection of rights of consumers” about explanation to consumers their rights and ways of solving conflicts, about participation in development of requirements to safety of goods (works, services), about check of observance of rules of trade and about

² 3 Here we talk about revival of NGOs in Russia, not about occurrence of these organizations in 1980s of the XXth century, because in pre-revolutionary Russia (especially in the end of XIXth – beginning of XXth centuries) system of public charitable establishments was already created and actively functioned.

realization of an independent expert appraisal.³ For Russia question of formation of an adequate attitude towards protection of rights of consumers is quite crucial;

Inclusion of representatives of the third sector into structure of commissions estimating and approving social projects, financed from the budget;

Granting NGOs right to participate in certification of services; opportunity to create associations and associations for such purposes.

Second form in a line of organizational tools available for the state is attraction of NGOs to large marketing actions in sphere of culture, tourism, sports etc. State bodies in this connection can:

Include NGOs, most actively participating in formation of positive image of city, region etc. into appropriate projects and programs financed at the expense of the budget;⁴

More actively develop systems of competitive revealing of the most worthy applicants for realization of city's and regional projects (this system can work both within the framework of a social order and outside of it);

To realization of large marketing actions (organization of anniversaries, festivals, sports competitions) is expedient to involve volunteers, who are easier and better to look for among members of NGOs.

Examined here ways and particular tools of activity of the state on more active involving of NGOs into solving social problems in Russia requires further study within the framework of general strengthening of bases of state regulation of social sphere.

New way of attraction of sponsor's means for society's social problems solving

Use of sponsorship as an additional tool of redistribution processes in the Russian society requires some modification of governmental management structure.

Basic scheme of this activity in Russia, we believe, could look as follows. The state, first of all its bodies of management of subjects of the Federation and municipal bodies of authority, for solving certain social problems and

³ 5 Law of Russian Federation "About protection of rights of consumers". - № 2 – Federal Law, 09.01.1996, Article 45.

⁴ 6 For example, within a framework of St.-Petersburg program "Culture and children" in 1999 eight organizations solving various tasks are being financed at the expense of the city budget. Total sum of budget means is 2 200 thousand rubles. NGO "Union of creative museum workers of St.-Petersburg", which carries out a project "Museums – to children" within the framework of a city program (50 thousand rubles were given for this project), is also included into the financing plan.

realization of socially important measures should more actively carry out competitions between governmental and non-governmental organizations and establishments, public organizations, charitable funds for getting social orders and performing measures within the framework of this orders. Carrying out these days competitions on placing city and municipal orders are financed only from the budget, that is today competition is a mechanism of realization of programs of social policy working without trying to attract sponsors, that does not any more answer economic realities of Russian Federation.

Distribution of means of sponsors within the framework of a social order should be oriented on solving the most urgent local, city, regional tasks. Important is the development of procedure of realization of competition (tender) which, from our point of view, should include the following measures:

Definition on a basis of an expert estimation of the most essential and urgent social tasks of an area or separate social group of the population;

Choice of organization (any organizational-legal form), offering the best way of solving the most urgent problems. Definition of such organization is carried out on a basis of expert opinions on quality of offered services, on profitability of its production and on degree of adequacy of the offered decision;

Development of a system of privileges for sponsors involved in financing of the offered project. Representatives of bodies of authority and expert representatives of NGOs take part in realization of this group of measures;

Organization of wide notification of potential sponsors about an opportunity of participation in realization of a social program which has received approval from a commission of experts, about an opportunity of financing a project and about privileges given to sponsors. For this block of measures bodies of management of that subject, at which level it is supposed to realize a project that has received an approval, are responsible.

Attraction of sponsors into participation in competitions and tenders aimed at support of social programs is an essentially new element of financing of the social sphere. Within the framework of such mechanism of financing there is a rational redistribution of means intended for realization of social programs, not through traditional budget process of financing, which assumes presence of significant costs of redistribution, but directly from "financier" to a "one being financed" with minimization of losses on support of a management apparatus doing budget redistribution of tax receipts.

Within the framework of this scheme total amount of receipts into budgets of regional and local level decreases, but at the same time there is a significant economy of public funds on financing of social programs. It connects with a point that such financing is carried out directly within the framework of offsets of tax receipts to commercial structures, if they take part in the offered scheme of financing of social projects.

The offered scheme is a new form of realization of a public choice, as it allows tax bearers themselves to determine social programs, most interesting from their point of view, and to sponsor those, which are the most important for them and are more real to be successfully realized.

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A Parametric Model of the Competitive Abilities of Firms and Personnel Management Therein – A Research Note

This contribution is intended to introduce in a concise form, the characteristics of the Parametric Model of the Competitive Abilities of Firms. The Model is conceived as a complex whole, based on modern conceptions of management, which, apart from Material and Financial Resources, consider Human Resources to be one of three fundamental resources for the development of firms, and an area in which firms may achieve a Competitive Advantage. The Parametric Model is designed to demonstrate the criteria, measurable indices and management tools of the competitiveness of firms.

Preamble.

The questions related to the **competitive abilities** of enterprises are, with regard to the transformational processes of the economies of Central European countries, and the on-going restructuralisation of individual enterprises and their management, **key issues**. Seeking to define the limiting factors and operationally to grasp the instruments whereby the competitive abilities of enterprises can be **measured** and **managed**, are actual tasks faced by academics, as well as by the practitioners who currently manage these enterprises.

Definition of Competitiveness of Czech Firms, Criteria, Parameters, Management Tools.

Competitive Ability may be defined as the fundamental condition for a firm's existence, its ability to maintain and expand the wealth (property) of the owner(s). If one is to achieve the competitiveness of firms by means of the instructions and responsibilities of **Strategic Management**, we must be able to define the following **three elements of the management system** of firms:

- The **Criteria** governing the competitive ability of the firm.
- The **Parameters** (measurable indices) of the competitive ability of the firm.
- The **Management Tools** governing the competitive ability of the firm.

Only on condition that these three elements of the management system are clearly defined, can we grasp the sense of competitive ability as an approved characteristic of a firm's management, which means that we can analyse them, evaluate them, manage them, and craft solutions aimed at improving them.

The Competitive Ability Criteria of a firm may be generalised as follows:

- The firm is able to effectively produce for the goods and services market (customer market).
- The firm is able to effectively gain financial resources from the capital market (investor market).
- The firm is able to effectively gain workers from the labour market (manpower market).

The Competitive Ability Parameters of a firm may be posited, as long as we define the measurable indices for each of the above-mentioned **Criteria**:

- The Goods and Services Market:
- The quality of the product (measurable, or quantifiable index in relation to the needs of the consumer, alternatively, in relation to products of relevant competitors).
- The price of the product (measurable, or quantifiable index in relation to products of relevant competitors, alternatively, in relation to the firm's own costs).
- The customer relationship, (measurable, or quantifiable index of the level of customer service and services provided to customers).

These parameters may be measured by means of quantitative data or evaluation scales, alternatively, by the procedure known as "Benchmarking".

- The Capital Market:
- Measurements quantifying growth in the firm's property, (measurable indices are Net Profit; EPS; ratio indices such as ROA, ROE, ROI, MVA.)
- Measurement quantifying growth in the Investors Capital, (the measurable index is EVA = Economic Value Added).
- Achieved results for shareholders, (the measurable index is TSR = Total Shareholder Return).

The most concise index of a firm's efficiency when measuring growth of Capital or Property is considered to be the Economic Value Added (EVA) index, which is defined as Net Operating Profits After Tax minus Costs of Capital Used: $EVA = NOPAT - (c \times Capital)$.

A further significant index is that which shows the value achieved for shareholders (TSR), which is defined as After Tax Profits plus Dividends minus Capital Costs.

These parameters may be measured by means of quantitative data or evaluation scales, alternatively, by the procedure known as "Benchmarking".

- The Manpower Market:
- The level of wages and salaries achieved and rewards for workers in the firm, (measurable indices in terms of the region, profession, etc.).
- The level of the Employee Social Policy of the firm, (measurable indices in terms of relevant data in the region or branch).
- The level of Employee Social Security of the firm, (measurable indices in terms of relevant data in the region).
- The level and quality of Employee Personal Professional Development Programmes in the firm, (measurable indices in terms of relevant data in the region or profession).

These parameters may be measured by means of quantitative data or evaluation scales, alternatively, by the procedure known as "Benchmarking".

Non-specific Indices of the Competitive Abilities of a Firm.

Apart from these specific indices of the competitive abilities of firms, it is necessary to take into consideration several further **non-specific indices**, whose influence functions across the whole firm:

- The firm's image, (measurable indices in terms of relevant subjects in the region, or a wider environment/sphere).
- The firm's relationship to the Environment, (measurable indices in terms of relevant subjects in the region, or a wider environment/sphere).
- The relationship the firm has to the economic and social development of the region, (measurable indices in terms of the region).

These parameters may be measured by means of quantitative data or evaluation scales, alternatively, by the procedure known as "Benchmarking".

Management of the Competitive Abilities of Firms, Measurable Indices, and Management Tools.

The **Parametric Model** of the Competitive Abilities of Firms is conceived as a complex whole, and is based on modern conceptions of management, which, apart from Material and Financial Resources, consider **Human Resources** to be one of three fundamental resources for the development of firms. In this sense then, the area of **Human Resources Management** may be considered to be an organic part of the firm's management systems aimed at achieving competitive abilities and advantages under the conditions of a global economy.

For any discussion of the **measurable indices** of the competitive abilities of firms and **management tools**, it is necessary to demarcate the level of generalisation with which we shall want to evaluate these characteristics. Should we also want to evaluate a firm from within, we must then define the fundamental parameters influencing its **efficiency**, i.e. the technical and technological levels, the level of the management processes, the level of the Information Systems, the level of Human Resources management and finally, the level of the Management. These parameters can be specified and conditions can be set for their measurement or evaluation. This approach then opens the way for the subsequent definition of the appropriate **Management Tools** of the competitive abilities of firms.

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