

THE LEADING PRACTICE OF DECISION MAKING IN MODERN BUSINESS SYSTEMS

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THE LEADING PRACTICE OF DECISION MAKING IN MODERN BUSINESS SYSTEMS

Innovative Technologies and
Perspectives of Optimization

EDITED BY

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Introduction

Elena G. Popkova and Alina V. Chesnokova

Decision Making in modern business systems can seek two strategic goals. The first goal is supporting the sustainability of a business system: provision of its normal functioning and prevention of its crises under the influence of negative internal and external factors. This goal is sought by most small and medium business systems in traditional spheres of economy. The tools for achieving it are effective modern practices of making of managerial decisions.

The second strategic goal is more global and envisages creation or strengthening of competitive advantages of a business system, overcoming its crisis, and activation of its growth and innovative development. This goal cannot be achieved with the help of the current practices and requires the usage of the leading experience and innovative technologies of making of managerial decisions.

This goal is sought by business systems that specialize in hi-tech spheres of economy and strive for manifesting highly innovative activity due to high level of competition in sectorial markets, and large business systems, which have large resources (primarily, human and financial) for modernization of the technologies of making of managerial decisions for increasing their effectiveness.

This book focuses on the leading practical experience of decision making in modern business systems and reflects the innovative technologies and perspectives of optimization of this process. The book generalizes the existing experience of decision making in modern business systems: determines the Russian model of institutionalization of practice of making of managerial decisions, determines the modern tendencies of transformation of the Russian practice of decision making in business systems and its current problems and barriers on the path of decision making in Russia, and generalizes successful global experience of decision making in modern business systems.

The authors provide an overview of the leading technologies of decision support in modern business systems: outline the role and function of an intermediary in this process, describe innovative technologies of decision making in modern business systems, analyze the practice of decision making with the usage of new information and communication technologies for development of

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socioeconomic environment in view of opportunities of various categories of population, and dwell on advantages and perspectives of application of technologies of intellectual decision support in the modern business systems.

Based on generalization of the leading experience, the authors offer recommendations on improvement of the process of decision making in modern business systems. Perspective directions of improving the process of decision making in business systems are outlined by the example of modern Russia, and the mechanism and strategy of highly effective decision making in modern business systems and the algorithm of its practical implementation are offered. The authors develop the tools for decision support during the evaluation of effectiveness of state policy in the sphere of energy efficiency (by the example of Russian regions) and structure the information basis of production losses in the conditions of effective management of production.

PART I
GENERALIZATION OF THE
EXISTING EXPERIENCE OF
DECISION MAKING IN MODERN
BUSINESS SYSTEMS

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Chapter 1

The Russian Model of Decision Making in Modern Business Systems

Aleksei V. Bogoviz¹, Rustem T. Yuldashev², Margarita A. Menshikova³, Olga V. Titova⁴ and Ekaterina S. Lebedeva⁵

Introduction

Modern Russian practice of making of managerial decisions in business systems has a special interest for economic science and practice due to several reasons. First, Russia is peculiar for unique geographical location in Europe and Asia, which leads to combination in the Russian practice of making of managerial decisions of the elements of the European and Asian models. Studying this symbiosis allows reconsidering the existing regional models and giving a new impulse to their development with emphasis on their advantages.

Second, uniqueness of modern Russia's economic system consists in the fact that it has a high level of socioeconomic development and, at the same time, shows high rate of economic growth – that is, it possesses features of developed

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and developing countries. That's why its experience could be used for both categories of countries. Third, Russia has a diversified structure of economy with developed industry and service sphere. Due to this, the practice of making of managerial decisions in business systems is formed in a diversified business environment.

Fourth, Russia is a vivid example of countries forming market economy. Transition from dominating state property to private property for business systems causes specificity of the practice of making of managerial decisions. Incompletion of market transformations causes peculiarities of marketing practice of business systems. These peculiarities and features of the modern Russian practice of making of managerial decisions emphasize topicality of its modeling not only for further research but also for development of other models that are built on the basis of the regional principle and the principle of the level of development of modern socioeconomic systems. Based on this, the purpose of the chapter is to develop the Russian model of decision making in modern business systems.

Materials and Method

The theoretical basis of the chapter includes the works of modern scholars that are devoted to the Russian practice of making of managerial decisions: Al-Hadi, Al-Yahyaee, Hussain, and Taylor (2018), Bae, Masud, and Kim (2018), Belouettar, Kavka, Patzak, Priel, and Daouadji (2018), Bobillo, Rodríguez-Sanz, and Tejerina-Gaite (2018), Gaitán, Herrera-Echeverri, and Pablo (2018), Keay and Zhao (2018), Krivtsov (2014), Krivtsov (2015), Krivtsov, Polinova, Ivankina, Chubarkova, and Prokubovskaya (2016), Marques, de Sousa Ribeiro, and Barboza (2018), Popkova (2017), Popkova, Tyurina, Sozinova, Serebryakova, and Lazareva (2017), Popkova, Ragulina, and Bogoviz (2019), Popkova, Gornostaeva, and Tregulova (2018), Singareddy, Chandrasekaran, Annamalai, and Ranjan (2018), Sukhodolov, Popkova, and Litvinova (2018), Thomsen (2016), and Veselovsky, Izmailova, Bogoviz, Lobova, and Alekseev (2017).

As a result of content analysis of these publications, the following peculiarities of modern Russian practice of decision making in business systems were determined:

- functional organizational structure: presence of top manager and several functional managers, who report to the top manager; each of them is responsible for management of a certain components of the business system (finances, production, sales, etc.);
- independent decision making by the business manager without participation of employees: systemic collection of feedback is not envisaged, all decisions are discussed within the managerial staff, and the final decision is made by the top manager; and

- founding primarily on internal information with insufficient attention to marketing: systemic marketing studied are not performed, but there's regular (every month, three months, year) analysis of corporate reports, internal monitoring, and control, in the course of which current problems of the business system are determined.

A drawback of the existing scientific literature is emphasis on separate peculiarities of the modern Russian practice of decision making in business systems, while the general model of this process remains unclear. This chapter fills the gap in the system of the existing scientific knowledge. For this, the method of modeling of socioeconomic systems and the method of formalization of graphic presentation of modeling results are used.

Results

Studying the modern Russian practice of making of managerial decisions in business systems allowed compiling the following conceptual model (Figure 1).

The model in Figure 1 reflects not only the structure of managerial staff and peculiarities of its communication with business entities, that is, internal hierarchy of business system, but also the algorithm of decision making in modern Russian business systems, which has six consecutive mandatory stages.

The first stage of decision making in modern business systems, according to the compiled Russian model of this process, is analysis of corporate reports by the top manager. At this stage, economic results of activities of the business system for the set time period (calendar month, three months, year) are compared

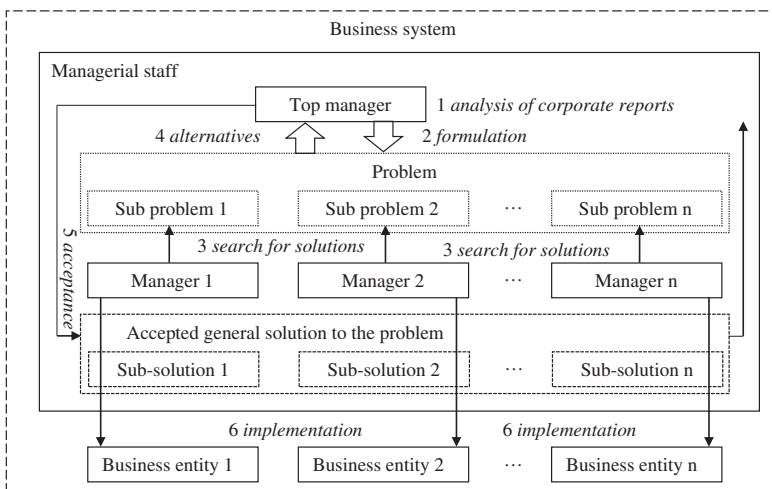


Figure 1. The Russian Model of Decision Making in Modern Business Systems. Source: Compiled by the authors.

to the target results that are given in the business strategy. Failure to achieve the target results shows certain problems with the business system, and exceeding the plan shows its additional capabilities.

At the second stage, top manager formulates the determined problem (or possibility) and passes it for discussion to functional managers (1, 2, ... n). At the third stage, each of them solves a separate subproblem – that is, the initial problem is solved not as a whole but is divided into a lot of components. At that, there could be components that are outside the sphere of control of functional managers and are not taken into account at this stage. Each functional manager (e.g., sales manager, procurement manager, financial manager) searches for solutions to his subproblem.

At the fourth stage, functional managers pass to the top manager the determined alternative variants of solving the subproblems. The top manager considers not separate components but the problem on the whole and compares the offered variants of its solution, based on accepted criteria of optimality and interests of achievement of high effectiveness (complex solution of the problem with minimum time and resources). The top manager could unify the solutions or offer his own solution.

At the fifth stage, the top manager makes the decision, explains it, and passes it to implementation – which is conducted by business entities under the management of functional managers. At the sixth stage, the made decision is divided into a lot of subdecisions according to the existing functional classification of business entities and managers. At that, the problems that are not covered by functional classification could remain unrealized.

In case of emergence of debatable situations or uncertainty as to practical implementation of the decision, business entities inform functional managers, who, in their turn, discuss the means of overcoming the barriers on the path of implementation of their sub-solution with the top manager and receive explanations and new recommendation on each emerging issue. The top manager controls the course of implementation of the general solution of the problem through reports from functional managers.

As a result of the sixth stage, functional managers form reports, which are unified by the top manager into general corporate reports and analyzed. This process is not distinguished into a separate stage, as it is a return to the first stage – that is, the algorithm of decision making in modern Russian business systems is cyclic. This ensures continuity and integrity of the process of making of managerial decisions.

Based on this, the following advantages of the Russian model of decision-making in modern business systems are determined:

- clear distribution of responsibilities (authorities and responsibility) of business managers in managerial staff of the business system: due to the functional organizational structure, each business manager has a strictly determined component of the business system;