
© L.N. RUSAKOVA

ekt@utmn.ru

UDC 338:330.35 (470+571)

DIFFICULTIES OF UNPLANNED FIRM GROWTH IN MODERN RUSSIA

ABSTRACT. The focus of this article is to identify the signs of unplanned production growth, typical of growing firms. The major issues under consideration are business problems caused by the unexpected growth, i.e. time losses and in-firm crises. Time losses occur when employees do not have clear idea of their responsibilities and delay problem-solving, expecting their managers to consider most of the problems. The paper identifies the causes of the problems and offers possible solutions. One of the causes is excessive workload of the staff or a lack of staff. Another reason is poor management. The article gives descriptions of a firm structure according to the responsibilities and duties of the staff. The structure of most inefficient firms is presented in two charts: a pie chart and a cross chart. The structure of most growing firms can be presented in a star shaped chart. The possible ways to motivate the staff through economic incentives are identified. We propose to analyze the performance of each employee and to determine primary and secondary objectives, level of responsibility, short-term goals and long-term policy of the company. Another proposal is to create a better structure of organization, including a clear description of work and responsibilities, based on analysis of the business needs in each activity; moreover, to involve employees in decision-making, in order to improve the productivity of each employee, to motivate them and to meet their personal goals at work.

KEY WORDS. Business, firm, structure, chart, motivation, reward, employees, system.

When running a business, entrepreneurs must use their time and the incoming information not only to solve their firm's everyday problems, but to set short-term goals and develop plans for a longer period. One of the main signs of time loss in a company is the situation when employees do not have a clear idea of their responsibilities and leave the problem-solving procedure to their managers. Another common sign of unexpected increase is in-company crises which occur when employees do not understand the priorities of their duties.

When a firm has a correct structure, each employee is able to pass on or handle the proper information.

Dismissal of employees or other reasons (temporary disability, etc.) can cause excessive workload on the staff or understaffing in the company. Another reason for in-company crises and other unforeseen problems, including staff problems, is inefficient organization of the company management. Different employees do the same work, thus creating problems in the production process. The structure is really effective if one unit, for example, sales staff or office staff, can act as an early warning system for other units, such as manufacturing or supply departments.

The most common way to represent the structure of a company is to use a hierarchical diagram, where the boss is on the top; below there are managers, administrators; the rest of the staff are at the bottom of the diagram (Fig. 1).

After defining the operation of a small firm as a group, we can identify the structure of most inefficient firms and represent them in two charts: a pie chart and a cross chart (Fig. 2).

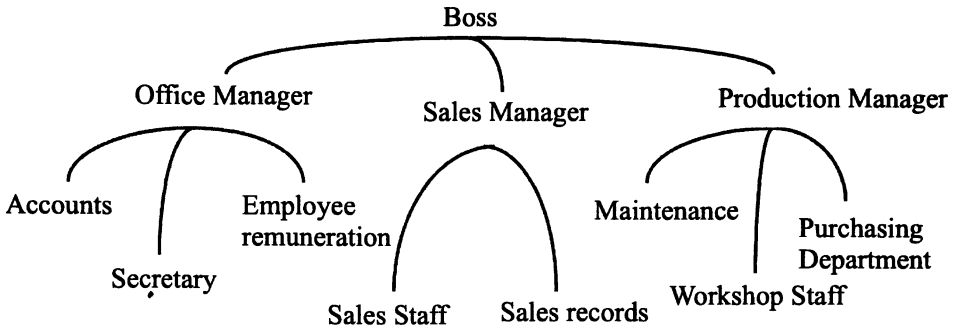


Fig.1. Hierarchical diagram representing the structure of a company

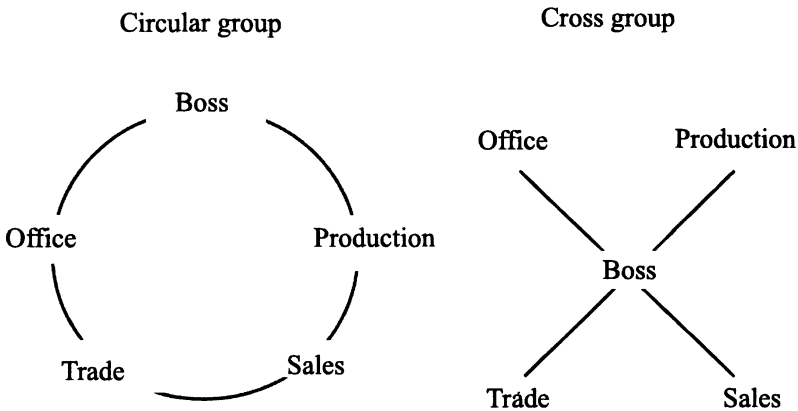


Fig. 2. Pie chart and Cross chart

Cross structure, where the leader is involved in all decision-making and is put in the center of the cross, is less effective than the hierarchical one. The structure is unstable in challenging situations and can become totally dysfunctional if the leader, for some reason, is away. The pie structure is more sensitive to difficulties and therefore can stop operating if one of the key people is missing. In contrast, a star shaped chart, with lots of crossed links, is more efficient and better prepared for unexpected situations.

If there is no division of labor, many firms expanding their business can take the form of a circle, and small firms can take the form of a cross. Most growing small businesses take a hierarchical form. But if they are really determined to reach a significant size, they should seriously consider the star shaped chart (Fig. 3).

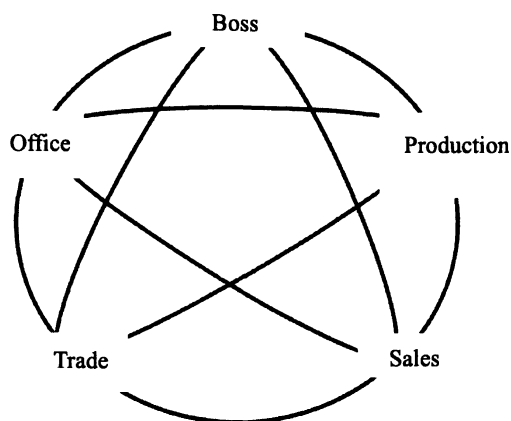


Fig. 3. Star shaped chart

Most employees in the company do not have a clear idea of their duties and areas of responsibility. That indicates that the growth has not been planned. If the problem is acute, it actually interferes with further development of the real management structure. In conditions of uncertainty, when the staff in the firm are not sure about their responsibilities, the usual response of those who want everything to be fulfilled is an attempt to do everything themselves. In this case, few plans and solutions can be implemented.

Unplanned growth means that the volume of resources in the company is inadequate for its output.

The main result of unplanned growth is an unclear company structure with ambiguous job descriptions, while the reason for unplanned growth may lie in the practice that the company takes on too much work compared to its resources. Common policy for most small businesses is to take as many orders as possible to get maximum profit (this is especially true for an expanding business). But there is a certain moment after which the fulfillment of additional orders requires new investment in labor force and means of production.

One of the ways to overcome the difficulties of unplanned growth is to develop a simple structure for the company, meeting the requirements of the business.

One must determine whether additional orders can cover the expenses on new investment, new workforce and equipment. Another important sign of unplanned growth is a decrease in profits, despite an increase in sales volume.

Lack of time for thorough evaluation of contracts and setting marketing objectives leads to a high probability of accepting non-profit orders, which will require a lot of time, effort and resources for inadequate compensation [2, 108-113].

There are two ways out of this situation. The first is that the company receives a new profitable order and acquires the necessary resources. The second is to develop a simpler company structure, which is both flexible and appropriate for the needs of the company.

The main ideas that need to be borne in mind: if most of the working time is spent on overcoming unforeseen crises, following one after another, this is one of the first signs of unplanned growth of the firm.

The main cause of these problems is that the volume of tasks to be fulfilled by the company's employees «has crossed the line», after which the personnel structure cannot cope with the new growing volume of work.

The main cause of crises is usually the large number of orders received without valid inventory of resources.

The core of a firm's organizational structure is its control system.

Without control, management of the company has neither a real system nor real leadership. To make the system of responsibilities operate properly, it is necessary to create a system of checks to be informed of major developments in the firm. The staff members who have been delegated to control certain areas of the company need to be sure that they are fully informed about everything that is happening in their area of activity. In fact, this process is not one-sided. If an employee takes a decision on his own or in consultation with the manager, the manager must ensure that the decision will be carried out [1, 219-223].

Setting short-term goals will help to create actual control, together with specific standards against which it is possible to measure the performance of employees. In order to meet the real needs and conditions, new tasks need to be balanced with the latest performance and productivity data, with the level of productivity in the sector of the economy where the company operates, or with the firm's competitors' productivity data.

If the management of the company seeks to expand production and business activities, then first of all, they need to learn how to distribute efficiently the duties of their employees. This involves both effective analysis of the needs in various company activities and the creation of a clear organizational structure; in addition, a successful reorganization requires a valid flow of information and support from the company management.

The best way to make the business more profitable is to engage the employees in the process.

It should be noted that the relationship between the management of the company and its employees are a two-way communication process. In most Russian companies, labor costs constitute a substantial part of total costs, and lack of qualifications can be an insurmountable barrier to the growing company. Moreover, profitability of the firm depends on staff productivity, so it is necessary to maintain a constantly high performance level.

In other words, one of the main managerial tasks is to motivate employees. The most effective motivational tool is not only additional remuneration, but also a sense of self-worth, a sense of belonging.

The situation in each business is unique and, therefore, the system of incentives must also be unique to each case.

Rewards do not necessarily have to be in the form of remuneration. Other options may include promotion, an opportunity to represent the firm at various receptions, giving gifts and free membership to clubs or associations, medical or insurance programs, full or partial cover of holiday expenses, providing a company car (Table 1).

*Table 1***Methods of economic incentives for the staff**

Personnel	Economic incentives
Production manager	Remuneration for overtime work; share in group production bonuses; total profits share scheme; proposal for equity participation in business
Secretary	Remuneration for overtime work; total profits share scheme; promotion to Office Manager
Dispatcher	Bonuses for early delivery; remuneration for overtime work; promotions to Warehouse Manager; total profits share scheme;
Production Workers	Group piecework wage system; bonus for early completion of work before deliveries (considering performance); large bonuses for overtime work; total profits share scheme;
Sales Staff	Individual commissions on sales; bonuses for individual contribution to total revenue; group commissions from higher sales volumes over the past year; group profits share scheme; promotion of the best sellers to higher positions with higher. pay and status

Thus, if a firm has problems with unplanned production growth, the work of each employee should be evaluated to determine its primary and secondary objectives, its responsibility, short-term goals and the long-term policy of the company:

A better structure of the organization should be established, including clear job descriptions and real responsibilities, based on the analysis of business needs in each activity; the company management should increasingly involve workers in decision-making and support good relationships within the team; effective staff motivation should be dependent on management's ability to relate the employees' performance with the opportunity to meet their personal goals at work.

REFERENCES

1. Kleiner G.B. Enterprise Strategy. Moscow: Delo, 2008. 568 p.
2. Ronald Coase. The Firm, the Market and the Law: Translated into Russian. Moscow: Novoye Izdatelstvo, 2007. 224 p.