Factors and Features of Formation of Modern Russian Management

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Abstract: The article deals with the features of formation of Russian modern management and determining their national historical, geopolitical, social and economic, cultural and international factors. The main attention was paid to the analysis of transition from the system of administrative ordering to the market management, which yielded both positive and negative results. The positive results are the application of different property types, commercial business principles of entrepreneurship freedom and broader public opportunities to implement their capabilities, rise of earnings and others. The negative results are the non-systematic reform nature, the mental public unpreparedness, overestimation of the Russian economic potential to self-regulation, the overlooking of the need to reform infrastructures and others. The accomplished research has enabled to formulate a number of trends how the management system in Russia should progress at the macrolevel.

Key words: Model of Russian economy progress • Management reform strong and weak aspects and combination of state management and market self-regulation

INTRODUCTION

The management features comprise national, historical, geopolitical, socio-economic, cultural and international country progress conditions. The distinction between the general and specific management features is necessary because, as the experience of transition to market economy of Russia demonstrates that the direct borrowing of the strange for management is ineffective [1,p.48]. Therefore, let us consider that the Russian progress conditions govern its specific management. The national features become evident, primarily in the public mentality, in other words, in the life style, psychology, customs and habits. The life style is the system of principles, the rules of maintaining the mental and physical health, sustained population growth and life expectancy [2].

The Russian society customarily has lived during a protracted evolution period the communal, collectivist life, which is due to the harsh climatic conditions. The natural environment in Russia has been and stays less favorable than, for instance, in the USA and east European counties. About 80% of the Russian territory locates in the risky agriculture area, compelling the people to unite for self-preservation.

Notwithstanding all positive aspects of collectivism (mutual assistance, cooperation, mutual responsibility), it has also certain disadvantages. The collectivism restricts personal freedom, manifestation of private initiative, underrates individual responsibility. The sociological studies reveal that at present the collectivist life style is losing its supporters. Nevertheless, the hardship of market economy comprehension, particularly its western variant, implies that the market economy and its management require more individual contribution, isolation and differentiation, than the Russian lifestyle has inherited as the tradition. The market economy imposes main responsibility for own life provision and imposes the responsibility for successful work of each. The role of personal qualities grows drastically, such as the purposefulness, entrepreneurship, persistence, readiness to justifiable risk. The Russian collectivist lifestyle reared a particular mental personality type. Among the postulates of freedom and equality, the Russian society prefers so far the equality; meanwhile, the market economy is based on the free entrepreneurship [3,p.22]. The leveling rather than the differential approach has always governed in the Russian society. It excluded the initiative manifestation, better effectiveness and work quality. The leveling was forced to a certain extent and
due to the traditional public poverty. The unfavorable natural climate conditions boosted the production cost than that in Western Europe. Correspondingly, the production efficiency in Russia had been lower than the portion of earnings distributed among workers. The leveling distribution in the soviet time fostered the mentality of social parasitism. It implied that the state should pay wages; provide goods, flats, rest at sanatoria and other items. At present, this mentality hardens the formation of the new social layer of civilized businessmen and the market organization culture of rank-and-file workers.

The Russian society prefers traditionally the spiritual principle to that of material and spiritual. The hording is not typical for the Russian mentality. The country has long progressed extensively rather than intensively. Meanwhile, the unfavorable habitat, the development uncertainty, external threats, favored the social mental qualities of patience, endurance, the ability to restore quickly the physical and mental power, to adapt to quickly and cardinally changing environment. They favor the more effective management system. The Russian geographic habitat, including the natural resources and territory size, influence differently the economy and management reforming. The Russian abundant natural resources favor successful transition to the effective market economy. But this factor is secondary. The world experience has the instances (Japan and other countries) where the success of market economy is achieved due to the deficit of natural resources rather than to their abundance. What concerns the vast Russian territory, throughout its development it needed a strong centralized economy. The removal of the administrative commanding authority and developed administrative vertical. The tsarist government covered the state management. Therefore, it can be asserted that the elements of administrative commanding management system originated in the tsarist time. The centralized power in the soviet time and the administrative vertical spreads over the economy. It led to the appearance and development of the state centralized administrative and commanding system of economic management [4,pp.47-48]. The market economy is managed on the following basis:

- The decentralized economic power which is ensured by private ownership of the production and consumption resources;
- The free motion of all factors of production, means of production and work force;
- The free pricing with the account of the factors of production cost, demand and supply;
- Market openness and accessibility to all which, in combination with private ownership of resources, ensure the competitive environment that, in its turn, initiates the technological progress;
- Consumer orientation implying that everything produced can be sold and not otherwise;
- Self-control following which each subject has the right to chose occupation and consumption guided by individual interests and being responsible for oneself;
- The compromise between the subjects of market economy (owners, enterprises, managers, employees, sellers and buyers, producers and consumers), which ensures the respect of mutual interests and economic development evolution, which, unlike any revolution, is characterized by saving losses and cost [5,p.51].

It is noteworthy at the same time that, due to the specific historical and geographic Russian progress conditions, even if the model of administrative commanding management and transition to market management, the management controlling position effect from the Russian state center should be relatively stronger than in other countries. It is particularly necessary in the period of transition to market economy. The political conditions of evolution and development of management in Russia are governed at the present state by the state political structure and also by the state of state legislation determining the transition to market economy. The removal of the administrative commanding system in Russia in the early 90s comprises, first of all, the power division the essence of which is the following:

- Elimination of power abuse resulting from its monopolization;
- Assurance of system comprehensive approach to administrative decision making;
- Participation of various social groups in management and their involvement in decision making;
- Creation of cost and counterweights in the management system ensuring balanced administrative decisions;
- Separation of control functions from execution functions [6,pp. 39-42].

In the first place, distinction between the subjects of political, state and economic management implemented the power separation. The party activity should be banned within enterprises. At the same time, the state power bodies ceased to interfere into the operative
economic management of enterprises keeping only the regulating functions. The latter became controlled at two legislative and executive levels, the Federal convention and the Government. The federal convention in addition to legislative functions also supervises the government actions. The supreme executive and supervision functions belong to the Russian President who issues the relevant decrees when certain laws lack.

The experience of the first decade of state economic progress management permits to draw several conclusions about some positive results and large failures of market transformation. The positive results are the following:

- Property denationalization;
- Transition to commercial principles of business activity;
- Freedom of entrepreneurship;
- Larger public opportunities to implement their abilities and rise of earnings;
- State divestment of paternalistic functions and transfer the responsibility to the public to take care of the own well-being;
- Market saturation with commodities.

But, in general, the state participation in the market reform in the 90s was unsuccessful. A number of errors and blunders were committed. They are the following:

- Forced transition from the administrative commanding to the market economy envisaging the disassembly of the existing state economic mechanism. The main purpose was the market transformation irreversibility instead of the effective economy management. The adaptation potential of the state economic mechanism was ignored;
- The mental unpreparedness of the broad public strata to radical market transformation was neglected. The state ignored explanation to the public aimed at facilitating the adaptation to new life conditions;
- The market reforms bore no system nature. They reduced to liberalization, privatization and financial stabilization. The purposes of structural economic reformation, sustained growth of production, investments and social sphere were ignored. The integral Russian economic long-term progress strategy lacked;
- The capability of the transformed economy to self-adjustment was overestimated. In fact, the state withdrew spontaneously from the economic sphere and its use of non-market methods (arrears of mature obligations). As a result, the economy was not demonomized, the fully competitive environment was not reached, the market openness or accessibility was not accomplished, the equal conditions for all economic subjects neither were nor provided. There no stability, supervision of laws;
- Grave blunders were committed in credit and monetary policy ad in the financial infrastructure. The ruble convertibility was unjustified and untimely, hence the economy was dollarized. No supervision over capital turnover was provided, particularly its outflow from the country. No integral fund market was created. The activity of commercial banks was separated from the real economic sector. The erroneous state policy of market reforms is evidenced vividly by the particular economic results. Within 1991-2000, the gross home product reduced two times, the investments declined drastically, the production efficiency and real public profits fell down, the life conditions impaired, the mean life expectancy shortened, the birth rate reduced, the mortality increased [7, pp.18-24].

These negative tendencies were overcome in 2000-2008. Consideration of the historic conditions of contemporary market management in Russia should not by limited to the soviet period alone. It should as far as possible consider the economic reform experience in tsarist Russia. It is beyond our task to analyze this reform comprehensively. The task now is to highlight the reforms conducted at different periods, some common features characterizing the Russian economic evolution model:

- The reforms were conducted by the state. The state itself was not reformed remaining absolutist;
- The reforms were pieiemeal, half-way, never fully completed;
- The reforms typically features the symbiosis and mechanical combination of feudal and capitalist relations, as a results, Russia after each reform remained the feudal and bourgeois country;
- The reforms were conducted in the process of struggle between the proponents of borrowing world experience and the proponents of preserving the Russia’s identity. The matters of combining both ways and also the own identity should stay and what was to be eliminated were unresolved.

In general, the reforms conducted in Russia, including those in soviet time, followed the model of catching modernization aimed at catching west. The historical model of Russia manifested that the
modernization catching model as at the same time the lagging model. This model ignores the changes of the West proper, which followed the innovation model. It implies that the most effective sources if innovation is market and science. The innovation model at the modern stage acquired the form. The globalization is interaction between groups and individuals directly across frontiers without obligatory, like in the past, state participation [8, pp.482-483]. The main condition of access to global economy is the production uniqueness and cheapness. The success of market transformations and appearance of the modern effective management are considerably determined by the socio-economic country conditions. The peculiarity of strategic problems of socio-economic Russian progress is governed by the following factor. Russia accounted for 1.5% of world gross home product at the end of the 21st century. The share of Russia is still less 0.1-0.2% at the patent market. The Russian economic structure is deformed manifested by a high share of raw material producing industry and a small share of processing industry and underdeveloped sphere of services. A significant production deformation is inherited by Russia from the administrative commanding economy with a typically large share of production of production means and a small share of production of consumer goods.

According to reports of profitability of states published by the Davos forum, Russia occupies one of the last places. The work productivity in Russia amounts to 30% of the level in developed countries. Alongside with weak points, Russian economy has its strong points too. They are the advanced scientific potential, high public education level (15% of the population have higher education), designing experience (large home market, vacant producing capacities, abundant mineral resources, cheap labor). The workforce quality is rated in the world by a number of indicators such as qualification, work discipline. The assessment by western experts from other counties proves that the work discipline is at par with developed countries and the qualification is rather high.

The international conditions of transfer to the market economy and the formation of the market management system are apparent in the policy implemented in the developed countries in respect to Russia. This policy is controversial. On the one hand, western states approve of and encourage the market transformation in Russia. However, there are efforts of imposing western management models on Russia. Many international projects of help to Russia to create its economy neglect rather the country’s features and conducted following standard schemes. In their foreign economic policy, the western countries do not expand the most favored conditions on Russia and openly counteract when it concerns Russian exports of most profitable products.

The consideration of features of appearance of modern Russian management, the following conclusions can be drawn:

- The market management system in Russia is in the making stage characterized as the management of transition from the administrative commanding system to the market management system.
- The historical experience of reforms in Russia and the die-hard state control traditions dictate the necessity of active Russian state participation in market transformations.
- The state itself should be state of development rather than suppression of the national economy. The economic critical state is due to the severe past heritage and mistakes in the market reform process in the 90s and the world market profitability. It permits to conclude that Russia do not fit into the centralized state administration or self-withdrawal from economic management. It should envisage optimum combination of state economic management with self-governance of economic subjects. The state itself should be the state of progress [9, pp.85-91].
- Market self-governance has not been formulated. It is manifested by the lack of private ownership respect, particularly that of small owners, indifferent entrepreneurship treatment, particularly in many bureaucratic hurdles to its progress.
- The model of future development in Russia remains open and unresolved. It seems that this model should harmoniously incorporate the interests of national integrity and the world tendencies of economic globalization [10, pp. 10-12].

REFERENCES


