

Improvement of Strategic Planning for Russian Timber Industry Businesses

Michail Yakovlevich Veselovsky and Margarita Arkadievna Menshikova

State Institution of Higher Academic Education of Moscow Region,
“Financial Technology Academy”, Korolev, Moscow Region, Russia

Abstract: The article contains analysis of today state of timber industry with emphasis on the fact that the problems of management process improvement, development of effective planning instruments and mechanisms by owners and management are especially actual in the situation of underinvestment of the industry. It is also important to balance interests of shareholders and other interested parties for maximal leverage of internal potential of businesses of the industry. Authors propose the model of management structure of timber industry business, define management technologies used by timber industry businesses and describe their content and interaction. Authors also analyze characteristics of system management in long-term perspective; define the new content of its components. Authors also define the main requirements for effective management in timber industry. They show that adaptation of businesses to objective conditions, search and evaluation of alternate possibilities of development depend on quality information as suppose increased attention to control and registration of operation.

Key words: Timber industry • Strategic planning • Management structure • System management

INTRODUCTION

Timber industry of Russian Federation is important area of economy of the country. It includes timber enterprises, woodworking industry, pulp and paper industry, wool-chemical and other industries. Forest resources are renewable natural resources that account for more than one fourth of global reserve of wood biomass and have important nature generating and environmental functions [1].

Forest resources of Russia may provide not only current but perspective internal demand of the country in wood and wood processing products and support significant growth of timber resources export.

Russia has original structure of timber industry that differs from the other developed countries. According to Rosstat, in 2011 there timber industry was structured by the types of economic activities in the following way: timber cutting – 12%, processing of wood and wood products – more than 44% and furniture production – about 12% (Table 1).

Production and consumption volumes of timber and paper products have direct impact of social development. Timber products are widely used in many branches of industry, in agriculture, printing, medicine and trade.

About 60,000 of large, middle-sized and small businesses in different regions are specialized in reproduction and protection of forests, cutting and processing of timber now. In 45 subjects of Russian Federation timber and paper production is 10 to 50% of total volume of industrial products produced in these subjects.

Development of timber industry requires gaining relatively large investments that faces the industry with complicated and often unsolvable problems. Management process improvement, development of effective planning instruments and mechanisms by owners and management, finding the balance of interests of shareholders and other interested parties for maximal leverage of internal potential of businesses of the industry become actual condition of successful development of industry [2, p. 26-27; 3, p. 142].

Corresponding Author: Veselovsky, State Institution of Higher Academic Education of Moscow Region Financial Technology Academy, Gagarin Street, 42, Korolev, 141070, Moscow Region, Russia.

Table 1: Timber industry structure, (%)

Type of economic activity	2009	2010	2011
Timber cutting	12,5	12,8	11,6
Processing of wood and wood products without furniture	31,7	31,7	31,9
Production of cellulose, wood-pulp, paper and cardboard and products made of these	43,3	43,6	44,6
Furniture production	12,5	11,9	11,9
Total	100,0	100,0	100,0

Table 2: Strategic planning technologies for timber industry

Situations	Market	Timber industry development	Reformation of the business
Effectiveness on sites: - evaluation of unit's activity results; - benchmarking; - outsourcing.	Marketing: - marketing communication; - marketing audit; - segmentation; - trade mark.	Market development: - market share gaining; - market revision; - entering developing markets.	Merger: - synergy; - diversifying; - scale economy.
Supply: - role in value chain; - resource supply chain; - e-commerce.	Clients: - repeated purchases – loyalty; - quality is the value for customers; - customer relationship management.	Products and services: - innovative products development; - differentiation – segmentation.	Corporation: - alliances ; - shared property; - insourcing.
Organization: - resource flow and dependences; - work distribution; - work control and evaluation; - centralized or distributed administration.	Sales: - measurement; - stimulation; - channel selection; - post-sale services; - sales management.	New competence: - business transfer; - new technologies.	Location and spin-off: - split of a single business; - more attractive property structures; - sharing and concentration.
Production: - labour productivity; - quality of labour; - thrift economy; - capital intensity.	Pricing: - allied brand; - flexibility of demand; - profitability control.	Manufacturing development	Business activity cutting down: - cutback in production; - price reduction; - overproduction; - unfair competition, grants.

Main body: Economical management may be considered as the problem consisting of two components. On one hand there are development and revealing of cost price and income management processes. On the other hand an interaction is being established between the units. This interaction defines economical indicators of the unit's activity, rules of fund forming and motivations, redistribution of internal funds flow and results. Both components are being realized by management cycle that includes gathering information, development of scenario, industrial engineering, maintaining records, analysis, regulation.

The quality of long-term planning is the main factor defining effectiveness of today timber industry management. The first step of development of enterprise strategy is definition of core competences (market philosophy) and mission as the main aim of existence of economy subject.

Strategic planning of enterprise activity [4, 5] should consist of development of a certain strategic direction including situations, instruments and technologies.

Example of such set for timber industry business is shown in Table 2.

Activity related to analysis of demand on timber products may be studied as typical situations. Effectiveness on sites, supply, organization, production should be defined in the scope of situation.

Effectiveness on sites is manifested in the fact that businesses are operating in conditions of plan-based economy. That means that customer receiving products and services has no free choice in condition of vendor's monopoly.

Supply includes resource supply chain, e-commerce as well as making decisions on production of a certain products or services or purchasing them with third party.

The problems of organization include resource flow, distribution of work, control and evaluation of work. The more complex timber industry business structure is the more complicated are relationships between business-units and employees. Definition of specialization forms and internal relationships emerging from this are extremely important for many timber industry businesses. It is necessary to decide what should remain centralized and what is more suitable to split into distributed structure of lower scope.

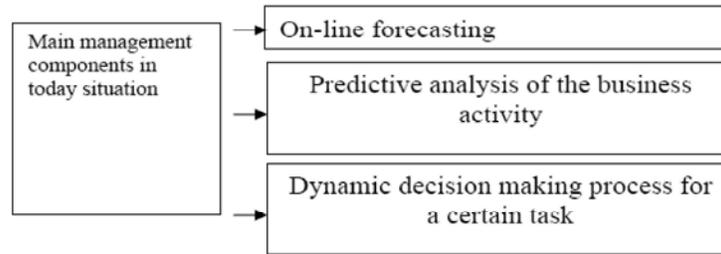


Fig. 1: Content of the main management components

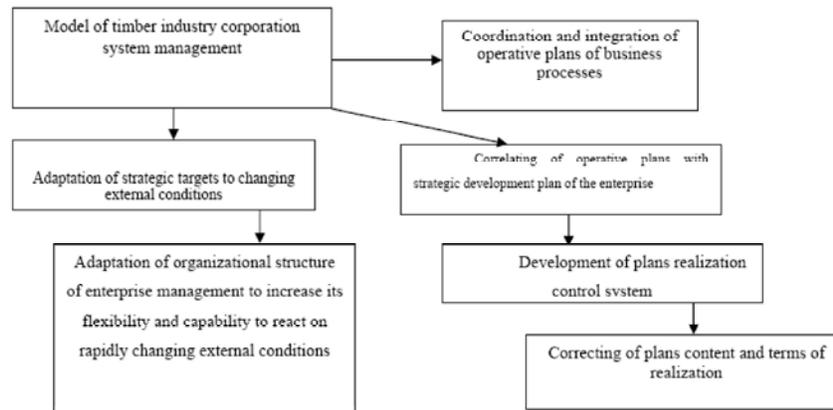


Fig. 2: Perspective system management model of timber industry corporate structures

Market and customers [6] is one of strategic planning areas. It includes marketing, clients, sales, pricing. Strong efforts on taking the advantages of marketing, results of segmentation and brand awareness [7, 8] are necessary to enter markets. Indicator of customer's interest is repeated purchases that are important factor in evaluation of competitiveness and profitability of timber industry business. Pricing is the result of customers' adoption of the product.

Timber industry business development may be considered as a part of strategy aimed on revealing of industrial risks and timber production growth.

Business reformation includes mergers, making associations, location and spin-offs and business activity cutting off. Usually mergers change existing structure. Merger of businesses including timber industry businesses is possible on the base of principles that differs from traditional. For associations there are typical closer connections of several types of businesses. Changes of value chain act simultaneously in several directions leading to creation new associations and forcing to search best variants of structures.

Managers of timber industry businesses tend to put efforts toward the growth of shareholder value. Owner's expectations should be based not only current income but

long-term perspective. It leads to the growth of the Board of Directors importance. Board of Directors should account for the difference between management of a business-unit and management of profile structure and define the role of group of businesses management. Funding, management, use of capital and results of corporation structure evaluation become extremely important in financially unstable situation.

One of the most widely spread management concepts includes in-company planning, control and analysis of company activity [9, p. 60-61]. In today situation these components should be filled with new content. Planning should include on-line forecasting, analysis should be formed in the form of predictive research and control should support the search for the method of solving a certain managerial task (Fig. 1).

Provisioning of successful functioning of economic system in long-term perspective should form the base of the concept of modern system management (Fig. 2).

Coordination of strategic targets with current tasks may be considered as the tasks of system management [10, p.123-136]. Profitability is strategic target in this context and financial stability of the business – as current task. They may be achieved by correlating plans on development stage and in realization to provide

development of timber industry business and increase effectiveness of development management in constantly changing environment.

Correlation of these activities allows provisioning continuity and stability of management process. Coordination allows reaching the following results: association of current targets of timber industry business with its mission and long-term strategy; support for actions aimed on venture management by finding logical correlations between chain links of the system; effective using of forest resources for provisioning of successful functioning.

Market (economic) approach presumes accounting for the quality of management in the system of production and management relationships, realization and consumption of products. ISO 9000 Standards are based on process approach and presume detailed regulation of mechanisms and instruments of quality management system.

Quality of timber industry economic system management consists of the quality of managerial activity itself (the quality of decisions made by managers, technologies, etc.) and the level of the quality of management of corporation as a single entity (adaptivity, competitiveness, etc.).

Usefulness and reliability of accounting information should be evaluated in timber industry to make effective decisions. System of internal control is authorized for this task in large commercial organizations.

The authors share the opinion [3, p. 143] that effective management of timber industry should meet the following requirements:

- Support of competitiveness in global market on the base of deployment of new technologies and methods of organization of timber industry production;
- Support of a certain independence and initiative of units and employees;
- Account for customer's interests, correlation of interests of all corporative members;
- Social responsibility for development of regions of business location;
- Human potential development as one of the main source of labour efficiency and the quality of products improvement, improvement of labour conditions, objective evaluation and incentives for workers;
- Development of corporate culture and information openness;

- Improvement of management system on the base of outsourcing and exchange of experience with the most effective organizations.

Today adaptation of objective conditions, search and evaluation of development alternatives and development of measures for their realization depends greatly on the quality of information. It may be obtained only via effective accounting and control system that allows researching development trends of timber industry business, use available timber resources and production processes in complex, account for potential. Quality information allows promptly revealing negative trends, helps eliminating them and promotes high speed of management system operation aimed on steady improvement of bottom line of timber industry business.

Changes in economical conditions and wide range of operations of timber industry business presume increased attention to accounting and control organization in production. It should be aimed on revealing trends, forecasting and the growth of competitiveness but not on evaluation of existing situation.

CONCLUSION

Effective strategic planning should be based on deep research of industrial specifics of timber industry businesses. Forest complex of Russia has significant reserve of quality and effectiveness increase for long-term perspective by using of modern mechanisms of strategic planning in enterprises.

REFERENCES

1. Council on Timber Industry Development of The Government of RF meeting protocol of the Russian Federation "Strategy of Development of Timber Industry of Russian Federation till 2020. National Forest Agency. of 20.01.2008 Volume 1.
2. Veselovski, M.Ya. and A.V. Levitski, 2013. Effective instruments of corporate management in forest industry. Fundamental and applied problems of effective entrepreneurship in global economy, FU Publishing House, pp: 26-27.
3. Levitski, A.V., 2012. Methodological basics of development of operative and strategic management and control mechanisms in timber industry corporations. Moscow State Forest University Gerald. Forest Gerald, 5: 142-146.
4. Ansoff, H.I., 1979. Strategic Management. John Wiley & Sons, Incorporated, Business & Economics, pp: 236.

5. Dussauge, P. and B. Garrette, XXXX. Determinants of success in international strategic alliances: evidence from the global aerospace industry. *Journal of International Business Studies*, 26: 505-530.
6. Aaker, A.D., XXXX. *Strategic Market Management* 7th edition, a John Wiley and Sons, Ltd, Publication, pp: 345.
7. Mescon, M.H., M. Albert and F. Khedouri, 1988. *Management*, New York, pp: 347.
8. Arthur, A. and Jr. A.J. Thompson Strickland III. 1995. *Crafting and implementing strategy*, Chicago, Richard D. Irwin, Inc., pp: 576.
9. Vesnin, V.R., 2008. *Corporate management: manual*. Moscow: MSFU, pp: 150.
10. Domanin, A.B., 2003. Enterprise management concept on the base of system approach to information. *Management in Russia and abroad*, 6: 123-136.