

# ASSESSMENT OF THE RUSSIAN COMPANY READINESS FOR TRANSFORMATION OF A MANAGEMENT SYSTEM

Vladimir D. Sekerin – Anna E. Gorokhova

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## Abstract

Management of changes becomes the main task for the company management. Thus the understanding of applicability and adequacy of new management models is necessary. In paper it is offered to apply two classical models allowing to estimate the major internal factors of the company and to estimate its readiness for strategic transformations.

The company internal environment can be investigated on McKinsey models of happy atom, the interrelation based on systematization of traditional views of the relation to introduction of changes and allowing to characterize between productions and those who carries out them.

The technique of practical use of this model is offered and results of an assessment of JSC RITM (innovative enterprise) readiness on this model for strategic changes are presented. The second model for an assessment of the company readiness for strategic transformations – the model of organizational changes design "Kaleidoscope" allowing to carry out the analysis of the company competitive positions in the market taking into account macroeconomic and microeconomic factors of the environment. Influence on readiness for strategic transformations of JSC RITM of the following factors is analysed: changes directions, launching site of the company, changes style, changes purpose, changes role, mechanisms of changes realization.

**Key words:** management system, readiness for changes, management of changes, organizational changes, strategic changes

**JEL Code:** M 11, M 21, O 33

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## Introduction

Now the whole world promptly changes. New technologies get even into traditional and conservative areas. Also management practice is transformed (Boyko, Sekerin & Šafránková, 2014). The company management system is a form of a real embodiment of management

interrelations. It acts in the form of real substance by means of which management gets the concrete contents and concrete manifestation, and function of management gets practical realization. Management of changes becomes the main task for any head of concrete division (Šikýř, 2015). But it doesn't mean that it is necessary to pursue management fashion blindly (Byun, Sung & Park, 2017). It is important to understand applicability and adequacy of these or those innovations (Carayannis & Grigoroudis, 2014).

When forming management model it must be kept in mind that, on the one hand, rigidly hierarchical approach to chains of command badly copes with reaction to changes, brakes feedback (Freeman, 2005). On the other hand, democratic flat structures, the free horizontal movement of information perfectly proved in adaptation to changes, new ideas, feedback. But they yield not the best results of introduction of this development and the made decisions (Šikýř & Šafránková 2016). The weighed approach allows to combine creativity with calculations, courage of decisions with reasonable approach, passion with discipline (Zhang & Yang, 2013).

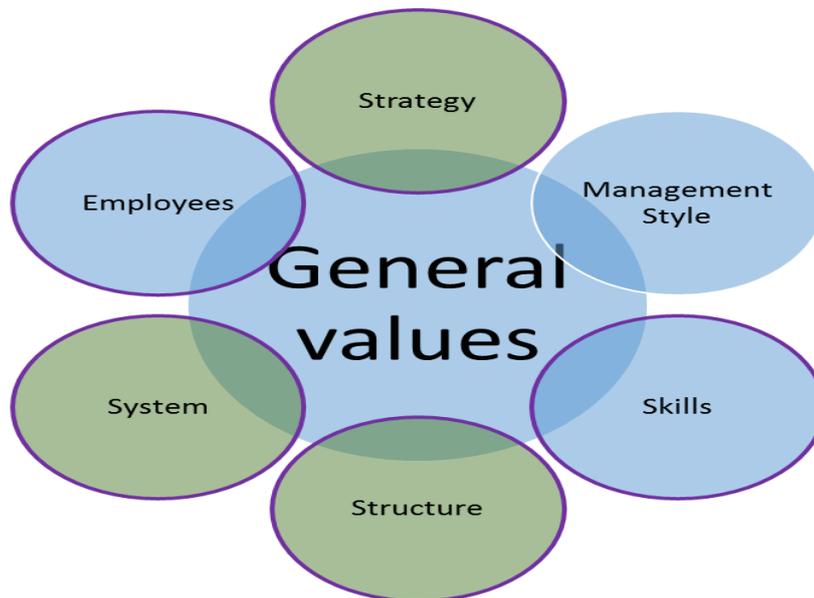
The goals of the paper are to investigate and adapt for modern Russian economic practice two classical models allowing to estimate the major internal factors of the enterprise which have impact on efficiency of transformation of a management system and allow to estimate company readiness for strategic transformations.

Paper will be based on use of the following research methods: comparison, a logical and information modeling, an expert assessment.

## **1 McKinsey Model of happy atom**

The organization of the company internal environment and its analysis can be carried out on McKinsey model of happy atom (fig. 1.) (Onetti, Zucchella, Jones & McDougall-Covin, 2012), (Porter, 1980). This model on the basis of traditional views systematization of the relation to introduction of changes and other common organizational problems allows to characterize interrelation between productions and those who carries out them.

Fig. 1: McKinsey Model of happy atom



Source: (Porter, 1980), authors

On the basis of this model allocate soft and rigid elements. In modern Russian conditions for the innovative enterprises 3 soft elements (structure, system and the general vision of strategy) which rather easily give in to change and adjustment, and 4 rigid elements (employees, style of the management, set of skills and system of values), which change demands long laborious work are characteristic. In this model of 5 elements are dynamic, i.e. change (strategy eventually, employees, system, structure, skills), and 2 elements are static (style of the management and the general values), they can be rather stable and be established for the long-term period within long-term strategy. Soft and dynamic elements have to be surely reflected in short-term plans of the organization development, and rigid and static elements – in medium-term and long-term plans. This model allows to allocate priority elements when developing various plans of the organization. Very important during formation of the company to pay close attention to the organization of rigid elements and in the course of activity constantly to support them at the level determined, established in strategy.

We will pass to analysis of the enterprise on the example of JSC RITM, according to model of happy atom. JSC RITM (the innovative enterprise) is engaged in development and support of projects on commercialization of scientific and technical development.

We will begin with a support of happy atom – the general values. The JSC RITM company successfully functions since 2014, for this period enormous work was done, were observed both take-off, and falling. Thanks to it the group of employees who learned to interact well with each other for achievement of the joint purposes was created.

Style of the management of the enterprise the democratic.

Staff recruitment is carried out by HR department on the basis of the Head Hunter resource and groups on social networks. Development of the personnel is almost not provided that is essential minus for the company and interferes with increase of its competitiveness. It is connected first of all with existence of a small amount of levels in organizational structure and small opportunities of career development that in itself also reduces competitiveness of the company in general due to the lack of motivation. Set of all skills and abilities allows the company to carry out inquiries of clients in various directions of marketing activity. In case there is an order of the client for which high-quality performance of skills it isn't enough, freelancers from the available acquired base, or the design personnel (field and merchandisers) whom employ directly under separate projects of customers are attracted.

In the company there are 9 departments, each of which is responsible for formation and execution of certain business processes. This type of organizational structure belongs to linearly-functionally type.

Systems of business processes and interactions are formed within strategy which are developed by the CEO together with heads of departments financial, creative, HR and accounts departments on long-term (more than three years) and short-term the periods (till three years).

Thus, it is possible to draw a conclusion that the enterprise has harmonious transparent structure, its activity is subordinated to uniform long-term strategy within which the short-term strategy broken into system of business processes are also formed. Soft elements of the JSC RITM company are its strength on which it is possible to rely within increase of competitive positions in the market. At the same time the organization of rigid elements possesses a number of negative lines – the corporate culture is badly adjusted, there are no strong motivational components. These are key weaknesses of the internal environment of the enterprise which have to be surely worked for strengthening of competitive positions.

## **2 "Kaleidoscope" – Model organizational changes of design**

Use of "Kaleidoscope" model of design of organizational changes for an assessment of readiness for strategic transformations allows to carry out the analysis of competitive positions of firm in the market taking into account macroeconomic and microeconomic factors of the environment (Schumpeter, 1996). The principle of the Kaleidoscope model is presented in tab. 1, 2.

**Tab. 1: Kaleidoscope model: characteristics of changes context**

<b>Criterion</b>	<b>Characteristic of changes context</b>
Power and influence	Who possesses the power? Heads of separate divisions are how independent?
Time	What is the time is at the organization for achievement of a desirable state?
Scale of changes	In what volume it is planned to carry out changes?
Extent of preservation of assets	What assets need to be kept and what can be liquidated?
Degree of a variety of the personnel	Workers on the to values, preferences, norms and rules of conduct are how various?
Ability to changes	Whether there is at the organization an ability, experience and potential for transformations?
Solvency	How many resources the organization can allocate for carrying out changes?

Source: authors

**Tab. 2: Kaleidoscope model: design factors of changes**

<b>Direction</b>	<b>Design factors of changes</b>
Way of changes	Four main ways: evolution, revolution, adaptation, reconstruction
Launching site	From where there are changes: from top to down, from below up or use of prototypes or pilot projects
Style of changes	Management style has impact (authoritative, democratic)
Purpose of changes	On what changes will be mainly concentrated?
Roles in changes	Who will act as the conductor of changes, the leader?
Realization mechanisms	The organization is a system therefore change of one structure conducts to change of all system and separate components. It is required to estimate, what element needs to be changed to involve internal organizational mechanisms

Source: authors

The analysis of activity of JSC RITM allows to offer the following stages of improvement of marketing strategy.

1) Improvement of marketing strategy (intensity strengthening, study of four directions: advertizing, creation of the site and pages on social networks and their advance) for increase of recognition of a brand;

2) A choice of the general competitive strategy of improvement of business processes within diversification when focusing on two B2B and FMCG segments;

3) Development and deployment of complementary products.

We will pass to practical application of the technique given above. We will estimate readiness of the JSC RITM for introduction of changes. We will consider design factors of changes one after another, concerning everyone we will characterize a context of changes. We will give to all characteristics of a context of changes an assessment on a five-point scale: (-2,-1, 0, +1, +2). The negative assessment means negative influence on readiness for transformations, positive — on the contrary, positive, and zero — respectively, neutral influence. Makes an assessment or one expert, or the average assessment on expert group pays off.

For example, on a factor "A way of changes" by experts the following values are exposed.

Changes will have gradual character: for a start it is necessary to develop methods of marketing advance, and then to introduce them. Thus, the way of changes can be characterized, as evolution. The same concerns also focusing – at first monitoring, and then specific actions on study of separate types of complementary services under specific clients – connection of new freelancers, collecting preferences of clients, development of new complementary services is carried out.

- Power and influence (+1): The top management has to control process at all stages of its performance. However at more lowest steps the top management will hardly be able to exercise control, middle managers are for this purpose necessary.

- Time (+2): Creation of a line of new products and their development borrows on average from 1 to 5 months, and improvement of business processes of the set type – about half a year of year; introduction of new software solutions – from 1 to 2 months.

- Scale of changes (+2). These changes are capable to increase considerably profitability of the company and degree of recognition of a brand in this connection their scale will be rather large: new employees and new intermediaries will be necessary, except various resources for realization of strategy in life will be necessary.

- Extent of preservation of assets (0). Assets of the company don't change from the offered transformations.

- Degree of a variety of the personnel (+2). As the main competitive advantage of JSC RITM is high-quality service, degree of a variety of the personnel – very important characteristic of a context of changes, and she plays one of paramount values in success of their realization. Besides, how they will approach the duties within new strategy depends on a variety of the personnel.

- Ability to changes (+2). The company has financial, working and other resources for implementation of transformations.

- Solvency (+2). For implementation of transformation of strategy of the competition and marketing on all way JSC RITM has financial resources in the form of investments from investors. Thus, without these financial investments it is impossible to carry out expansion of the market, to develop and introduce a new product and to improve marketing strategy.

Launching site.

- Power and influence (+2): The statement and an initiative about introduction of new strategy have to be carried out from above (from the main office) and decisions of the main office have to extend to all offices of the organization, delegating and distributing powers between the management and employees.

- Time (+2): Time for development of strategy has to be optimum in due time to meet the needs of the market and to interfere with actions of competitors. On average the company spends for development of new goods from 1 to 2 months, on development of marketing strategy of advance of a brand of the company about 1 months are required much less (it is necessary on creation of the site and start of its advance so much, promotion of the site in search engines requires time from a floor of year).

- Scale of changes (+1): On start it is very important to estimate the scale of changes to draw conclusions about existence of resources.

- Extent of preservation of assets (0): the size of assets doesn't change.

- Degree of a variety of the personnel (+2): At a development stage a variety of the personnel is very important characteristic.

- Ability to changes (+1): The company has financial, working and other resources for implementation of transformations. At the same time, strengthening of focusing of the company will require bigger quantity of working resources.

- Solvency (+2): At a development stage existence of financial resources very important. JSC RITM has such resources.

Other factors of changes are similarly estimated.

We will carry out the factorial analysis and the analysis of the characteristic of changes context (table 3). As a result of the analysis of influence of design factors it is visible that the prevailing favorable factor is "The way of changes" (11 points). The weakest factor is "Style of changes" (5 points). It is also necessary to notice that among factors of changes following

the results of estimation according to characteristics of a context of organizational changes there is no negative value. It can testify in general to a favorable environment of modernization of competitive strategy. Analyzing data on another dimension (the characteristic of changes context), we receive more various picture (table 3). There are also only favorable characteristics. As it becomes visible from table 3, the most significant are two characteristics of a context: power and influence, degree of a variety of the personnel (10 points). The characteristic of extent of preservation of assets acted as the neutral characteristic (it had no impact on one of factors).

**Tab. 3: Factorial analysis and analysis of the characteristic of changes context**

Factor	Characteristic of changes context							IN TOTAL
	Power and influence	Time	Scale of changes	Extent of preservation of assets	Degree of a variety of the personnel	Ability to changes	Solvency	
Way of changes	1	2	2	0	2	2	2	11
Launching site	2	2	1	0	2	1	2	10
Style of changes	1	0	1	0	2	1	0	5
Purpose of changes	2	0	2	0	1	2	2	9
Roles in changes	2	1	2	0	2	2	1	10
Mechanisms and levers	2	2	1	0	1	1	2	9
<b>TOTAL</b>	<b>10</b>	7	9	0	<b>10</b>	9	9	54

Source: authors

It is possible to draw a conclusion that the context of transformations has exclusively positive character, strategic recommendations about increase of competitiveness of JSC RITM represent the weighed program of organizational changes for three key directions: focusing in a BTL advance segment among clients of FMCG (key target audiences for providing BTL services), development of new complementary services due to use of the company resources for strategy of diversification and improvement of strategy of advance for increase of a brand recognition.

The carried-out analysis on the Kaleidoscope model completely confirmed ability of the JSC RITM enterprise to transformations and expediency of the offered recommendations in a concrete context of changes.

## Conclusion

In paper tools of an assessment of the company readiness for transformation of a management system for a rayelization of strategic transformations are offered. Results of approbation of these tools in practice of the Russian innovative company JSC RITM are reflected. On the example of models of happy atom and "Kaleidoscope" their influence on efficiency of transformation of a management system and opportunity to estimate company readiness for strategic transformations is proved. The model of happy atom on the basis of systematization of traditional views of the relation to introduction of changes and other common organizational problems allows to characterize interrelation between productions and those who carries out them. Use of model "Kaleidoscope" for an assessment of company readiness for strategic transformations allows to carry out the analysis of competitive positions of firm in the market taking into account macroeconomic and microeconomic factors of the environment. These models allow to estimate the company readiness for transformation of the management system allowing to increase management efficiency.

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## **Contact**

Vladimir D. Sekerin

Moscow polytechnic university

107023, Moscow, Bolshaya Semenovskaya str., 38, Russian Federation

bcintermarket@yandex.ru

Anna E. Gorokhova

Moscow polytechnic university,

107023, Moscow, Bolshaya Semenovskaya str., 38, Russian Federation

agor\_80@mail.ru