

THE INFLUENCE OF THE INFORMAL COMPONENT ON THE TRANSFORMATION PROCESSES OF THE ENTERPRISE MANAGEMENT STRUCTURES

Olena Kniazieva¹, Yuriy Obodovsky²

Abstract. The article is *dedicated* to the topical issue of determining the place of informal component of management in ensuring the efficiency of the transformation process of the enterprise management structures. Generalization of theoretical and practical experience in the transformation of management structures allows to confirm that informal aspects are prominent in the process of the enterprise management, however, it is not reflected in the transformation of management structures. In particular, the current classification of informal relationships in the management process does not fully reflect their penetration into the system and management process, which leads to a decrease in the quality of the management structure, in the efficiency of transformation processes, the resistance of the management system of the transformation performed, and, accordingly, it reduces the overall efficiency of the enterprise management. *Methodology.* In the course of the research, the authors have used a wide range of general scientific methods, such as abstraction, deduction, induction, analysis and synthesis, modeling and systemic approach, to describe the informal component of management, to carry out its classification, as well as to identify models of the mechanism of transformation of management structures and transformation process. *According to the results* of the conducted research, it is proposed to supplement the existing classification of the informal component of management by taking into account such features as: effect, stability (duration of existence) and scale of distribution; it is also proposed to expand the content for the attributes of character and manifestations of interaction of formal and informal components. It is proved that informal relationships and connections should be taken into account at every stage of the process of transformation of the management structure. In particular, it is stated that the quality of the management structure, as one of the stages of the transformation process, and the factors of influence on the enterprise in the aspect of functioning and transformation of its management structure, as a limitation of the transformation process, should be investigated, taking into account the classification features of the informal component. In this regard, it is proposed to supplement the existing aspects of the quality of management structures with an informal aspect and to determine the efficiency of the processes of transformation of management structures by the criteria of system resistance to change, resource mobilization, and independence of the management structure transformation group and the efficiency of transformation activities. It is determined that the system of interconnected elements, including methods, levers and instruments of influence, which in the process of interaction provide the realization of the task of transformation of the management structure, that is, determine the mechanism of transformation of management structures, occupies a prominent place in ensuring the efficiency of the transformation of management structures, as well as obtaining the desired result (effect) for the enterprise. *The practical implication* of the obtained results of the research is to ensure the increase of the level of quality of the management structure and the efficiency of transformation processes by taking into account the factor of informal relationships as an integral attribute of the structure of the enterprise management. The use of certain components of the mechanism and stages of the process of transformation process of management structures will reduce the resistance of the enterprise personnel to change and will achieve the desired result (effect) for the enterprise.

Key words: informal component of management, management structure, mechanism of transformation of management structures, quality of management structures, efficiency of the enterprise.

JEL Classification: D70, D21, J53, L20

Corresponding author:

¹ O.S. Popov Odessa National Academy of Telecommunications, Ukraine.
E-mail: 7234275@gmail.com

² O.S. Popov Odessa National Academy of Telecommunications, Ukraine.
E-mail: ObodovskyYu@gmail.com

1. Introduction

In conditions of fierce competition in the market, the sustainability of the operation and development of the enterprise is determined by its ability to take into account various factors of the external and internal environment and adapt the subsystems of the enterprise in order to ensure their smooth functioning. Digitalization of economy and society, globalization and geopolitical changes, socio-economic situation of the country and other factors both create opportunities and threaten the enterprise. Under these conditions, the decisive role in ensuring the functioning and development of the enterprise belongs to its management system in general and management structure in particular.

Today, many scientists, including M. V. Vereskun, O. Yu. Husieva, D. L. Levchynskyi, H. L. Monastyrskyi, I. I. Novakivskyi, Y. M. Petrovych, O. M. Romanukha, Ye. I. Khodakivskyi et al., have dedicated their work to solving the problems related to the functioning of the enterprise management structures.

Studies of the scientific literature and the activities of the enterprises show that the use of the management structure as an orderly set of elements of the management system, which determines their composition, interconnections and subordination, provides the involvement of a wide range of relationships and connections among the elements of the management system, including those that are not formally established and regulated.

Nevertheless, the scientific works have not fully addressed the issue of taking into account the informal component of management in the process of ensuring the efficiency of the mechanism of transformation of management structures and the efficiency of the enterprise as a whole.

In this regard, the purpose of the article is to summarize the theoretical and practical experience in the classification of informal aspects of management and determine the place of informal component of the management in the process of ensuring the efficiency of transformation of the enterprise management structures.

2. Classification of the informal component of management

The point of view of scientists on the informal component of management as an attribute of the formal system (structure) of management is common. Nevertheless, in defining the concept of

the management structure, this informal aspect is almost completely ignored by scientists. Because the structure of management characterizes the relationship among social elements, the informal relationships of management exist in it, as in any other social system, along with the formal relationships.

Formal relationships are defined as relationships, which are externally structured and enshrined in office documents that involve pre-known positions of participants in the process, while informal relationships are defined as relationships regulated by unwritten rules and norms and emerge in the organization regardless of formal regulations but influence on success of the organization in achieving the goal.

Having all the attributes of a management system, the informal component is derived from it; its occurrence is due to the existing management system. This circumstance makes it possible to conclude that forming a management system, distinguishing certain components in the structure, giving individuals the powers of the management subject and the object, the owner (or other authorized body) sets the basis for the appearance of future informal component of management independently. The emergence and continued existence of informal aspects in the management process are conditioned by the fact that the activities of any team cannot be fully regulated, certain aspects always remain unresolved, and, thus, create preconditions for maintaining the existence of an informal component in the functioning of the enterprise.

Although informal aspects of management have been considered in the works of various scientists, and given that informal relationships exist at every enterprise (as it is explained in the thesis above), the scientists' attention is primarily focused on considering informal relationships in terms of their presence or absence at the enterprise.

Thus, the existing classification of management structures (Novakivskyj, 2017) implies the separation of the formalization of relations in the management process and the allocation of formal and informal management structures, respectively. However, as mentioned above, the informal aspects of the management process cannot be reduced to the concept of structure only, since their composition and characteristics make it more appropriate to compare them with the management system.

A more sophisticated division of management structures is suggested by O. M. Romanukha,

who proposes to divide organizational structures into: working (formal), auxiliary (unofficial "positive") and protesting (unofficial "negative") (Romanukha, 2016). However, in this case, it is only intended to characterize the management structure by the presence and orientation of the influence of informal management relationships. At the same time, other aspects of interaction are not highlighted as features of the informal component.

Another point of view on the separation of informal institutions is suggested by Yu. O. Ukis, who identifies the manifestation of the interaction of formal and informal institutions as attributes, manifested in the form of modification (changes of informal institutions under the influence of formal ones and vice versa); formalization (legitimization of informal institutions into formal ones); deformation (transformation of formal institutions into informal ones) (Ukis, 2005). Therefore, summarizing existing approaches to the separation of informal aspects of management there can be indicated the distinguishing features such as the nature and manifestations of the interaction of formal and informal components.

Because, as scientists argue, informal relationships significantly affect the management structure of the enterprise, there is a need for a more thorough study and classification of this component.

Thus, it is proposed to supplement the existing classification of the informal component of management by taking into account such features as: effect, stability (duration of existence) and scale of distribution; it is also proposed to expand the content for the attributes of character and manifestations of interaction of formal and informal components.

Therefore, there is provided the following classification of informal management components by:

- the effect that the informal component has on the activity of the enterprise. The thesis that informal aspects of the enterprise management can have both positive and negative effects is axiomatic. Thus, if certain aspects are mistakenly ignored or not sufficiently formalized in the formation of the management structure, it is precisely because of the informal relationships, connections at the enterprise the assigned tasks are ensured to be accomplished. That is, in this case, the informal component of management complements the formally regulated structure;
- the nature of the interaction between the formal and informal components of management. The

informal component of management is manifested in the form of supplementation or opposition to formally regulated one. The interaction, which is manifested in addition to the informal aspects of formally regulated relationships, as mentioned above, creates opportunities for ensuring the efficient operation of the enterprise, while at the same time creates obstacles opposing it. The opposition to the formal management structure is expressed in the form of ignoring the hierarchy, violating the principles of subordination, executing decisions of informal leaders, etc., which in most cases leads to negative consequences for the enterprise;

- a manifestation of the interaction of formal and informal aspects of management. By this feature, the informal component has a pronounced or hidden character. It is mainly the opposition of informal relationships and connections with formally regulated procedures that takes the form of a hidden appearance, whereby, over a long period of time, the management of the enterprise may not even suspect the presence of informal aspects;

- stability (duration of existence). The attribute implies a tendency to change over time. Informal relationships are more than formal and prone to transformation: changes in the apparatus and management structure cause certain informal relationships and connections to break down. Therefore, the informal component of management is characterized by a sign of duration of existence: permanent or situational.

- scale of distribution. The informal aspects of management vary in scope, encompassing both every element (or, more commonly, almost all) and only certain elements of the management system. The difference in scale is determined by the purpose and tasks that lead to the emergence of informal relationships and connections.

The need to supplement the existing classification of informal aspects of management is due to their presence in each enterprise in one way or another and to the need to take into account the informal component in the process of assessing the very structure of management, an integral attribute of which informal relationships and connections act.

Expanding the classification features of the informal aspects of management makes it possible to establish the need to transform the existing management system and its components in more detail, to identify the weaknesses of the formal management structure and to make appropriate

changes in order to improve its qualitative characteristics.

Therefore, given the importance of taking into account informal aspects in the enterprise management process, as well as the high prevalence of informal aspects in telecommunication enterprises, informal relationships and connections need to be taken into account in the transformation of the management structure.

3. Mechanism of transformation of management structures

Transformation of management structures involves the use of the mechanism as a system of interconnected elements, including methods, levers and instruments of influence, which in the process of interaction provide the task of transforming the management structure, ensuring the desired result (effect) for the enterprise. Taking into account the existing achievements of scientists on the concept of the mechanism as an economic category, the authors refined and adapted the existing model of the mechanism (Lazarjeva, 2017) regarding the transformation of the management structures.

The proposed mechanism allows, with the involvement of employees of the enterprise, to determine the reserves for improving its quality by monitoring the management structure and, accordingly, to implement the necessary management decisions, which are directions and measures to transform the management structure. The purpose of developing and implementing the mechanism is to ensure the efficiency of the enterprise as a whole, primarily by reducing the resistance and negative impact of the informal component, as well as increasing the motivation of employees.

An important place in this mechanism of transformation of the management structures belongs to the informal component of management, the impact of which is traced at each stage of the transformation process. Thus, the transformation process of the management structures reflects the connection and the necessary sequence of steps of this process. The conditions of activity of the enterprise, i.e., factors of influence on the enterprise, not only cause the mismatch of the level of quality of the management structure of the current state, but also act as limiting factors of the transformation process: depending on the available financial, material, labor and other resources of the enterprise, there

are chosen the persons who will be involved in the transformation of the management structure, which will affect the overall efficiency of the transformation process. In terms of determining the factors of influence on the enterprise informal component manifests itself as follows: in the formation of the management system, i.e., the definition of the subject and object of management, the owners and managers of the enterprise are provided opportunities for the development of informal relationships, but in the future the relationship becomes the opposite, which means that when the functioning of the enterprise informal aspects of management both determine the composition of the elements of the management system, eliminating those that create obstacles to the development of informal relationships, and determine the shape of the system as the management structure with the help of informal relationships.

The quality of the management structure is actually a prerequisite, that is, the entrance of the transformation process. As a characteristic of the existing properties of the management structure that are able to meet the needs of the enterprise, quality should take into account the informal aspect, as an integral attribute of the management structure, as mentioned above. However, at present, both in the literature and in the practical plane, there is no consideration of the informal component factor in the process of assessing the quality of the management structure. In this regard, the authors have proposed to complement the aspects of the quality of management structures, which have been generalized by the scientists (Simenko, 2009; Prudnykova, 2017), by taking into account the informal component by parameters, the allocation of which is consistent with the above classification of informal management components:

- independence, which is a reflection of the level of mutual influence of formal and informal components of management;
- auxiliary, which is the characterization of the influence of the informal management component on the formal one, it implies the establishment of the need for the emergence of the informal component, because of the inability to solve the tasks set for the enterprise through a formal management structure;
- scale, which is an assessment of the scale of the informal component of management, i.e., coverage of the informal component of all elements and aspects of the enterprise;

– opposition, which is an assessment of the opposition of the formal and informal components of management.

The transformation of the management structure should ensure both an improvement in its quality and the desired effect for the enterprise. However, the use of the model of the mechanism of transformation of the management structure by itself, as well as the implementation of the transformation process do not ensure its efficiency.

Currently, the assessment of the transformation process or improvement of the management structure is supposed to be carried out by determining the effect of the transformation of the management structure. But the effect inherently reflects the result of the activity. Due to this, by characterizing the effect of transforming the management structure, researchers focus on those additional resources that can be obtained as a result of improving management. Scientists bypass the question of assessment of *the transformation process itself*. However, the relevance and necessity of determining the efficiency of the transformation process is not diminished.

The efficiency of the transformation process involves determining the ability of the management apparatus to act efficiently, to influence the transformation process in order to improve the efficiency of the enterprise as a whole and aspects of the quality of its management structure in particular. The authors propose the following as criteria for the efficiency of the transformation process:

– resistance of the system to change. This criterion covers the informal component of management, which may be affected by changes in the management structure. As a criterion for the efficiency of the transformation process of the management structure, resistance characterizes the inability of the system to act actively due to confrontation from the part of employees, managers, etc. An important aspect in ensuring the efficiency of the transformation process is the determination of the system's ability to eliminate timely the destructive effect of resistance to changes in the enterprise management. Determining the characteristics of its intensity and scale are the components of the system's resistance to change;

– resource mobilization. The ability of the system to provide an active and efficient flow of the transformation process implies a rational approach to mobilizing the resources required for this. The

criteria are urgency, promptness in providing and rational use of the necessary resources;

– independence of the management structure transformation team. The main task of implementing the transformation process of the management structure is entrusted to the group for evaluation and transformation of the management structure, which prompts the issue of ensuring its independence and objectivity. The influence of the management apparatus of the enterprise, as well as of other stakeholders of the enterprise in order to satisfy subjective interests, will offset the non-involvement of the members of the group and will create obstacles to ensuring the efficient transformation of management. The components of this criterion of efficiency are the objectivity and independence of the members of the group to transform the management structure;

– the effectiveness of the transformation measures. The result of the activity of the group for the assessment and transformation of the management structure is the formation, directions and transformation measures that should contribute to improving the quality of the management structure, bringing it into line with the conditions of activity of the enterprise and to ensure different types of effect. However, implementation of the proposed measures is within the competence of the management of the enterprise, and therefore the question arises about ensuring the timeliness and completeness of the implementation of the measures proposed by the group.

Therefore, due to the need to ensure the efficiency of the enterprise as a whole and its management structure in particular, consideration of the characteristics of the informal component of management should occur at each stage of the transformation process using the classification features of the informal component.

4. Conclusions

The features of the informal component of management are distinguished, which allow to expand its existing classification by more detailed definition of its characteristics. Taking into account all aspects of the informal component, combined with aspects of the activity of the formal component, allows for the efficient functioning of the management structure. It is pointed out that the transformation of the management structures requires the formation of a mechanism as a set of elements that in the process of interaction provides

the task of transforming the management structure. It is determined that the qualitative characteristics of the management structure as an input and the factors influencing the enterprise, acting as a restriction of the transformation process, should take into account the informal component in order to avoid the resistance of the employees of the company to change and to ensure the efficiency of the transformation process.

The importance of the problems considered in the work causes the continuation of

further scientific research regarding the transformation of the management structure of telecommunication enterprises. In particular, in view of the model of transformation process considered in the work, further studies related to the evaluation of the effect of transformation of the management structure, as an output of the transformation process and the criterion, by which the expediency of carrying out these or other transformations in the management system, are promising and relevant.

References:

- Romanukha, O. M. (2016). Rolj neformal'nykh orghanizacij u rozvytku forma-ljnykh orghanizacijnykh ghrup [The role of informal organizations in the development of formal organizational groups]. *Economic analysis: Coll. of research papers*, vol. 23, no. 2, pp. 169–174.
- Ukis, Ju. O. (2005). Rolj neformal'nykh instytutiv u perekhidnij ekonomichnij systemi [The role of informal institutions in the transitional economic system]. (PhD manuscript), Kharkiv: V. N. Karazin Kharkiv National University.
- Novakivskyj, I. I. (2017). Systema upravlinnja pidpryjemstva v informacijnomu suspiljstvi [Management system of enterprise in the informative society]. (Doctor of economic sciences manuscript), Lviv: Lviv Polytechnic National University.
- Lazarjeva, N. O. (2017). Orghanizacijno-ekonomichnyj mekhanizm upravlinnja efektyvnistju dijajnosti vynorobnykh pidpryjemstv [Organizational and economic mechanism for managing the performance of wineries]. (PhD manuscript), Odesa: Odesa National Academy of Food Technologies of the Ministry of Education and Science of Ukraine.
- Simenko, I. V. (2009). Jakistj system upravlinnja pidpryjemstvamy: metodolo-ghija, orghanizacija, praktyka [Quality of enterprise management systems: methodology, organization, practice]. Donetsk: Donetsk National University of Economics and Trade named after Tugan-Baranovsky. (in Ukrainian)
- Prudnykova, I. M. (2017). Diagnostyka jakosti orghanizacijnykh struktur upravlinnja pidpryjemstvamy [The Quality Diagnostics of Organizational Structures of Enterprises Management]. (PhD manuscript), Kyiv: The State University of Telecommunication.