

IMPROVEMENT OF THE ENTERPRISE MANAGEMENT SYSTEM BASED ON MODERN PRINCIPLES OF BUILDING BUSINESS PROCESSES, CONTROLLING AND RISK MANAGEMENT

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Abstract. *The objective* of the article is to highlight and consider the main directions for improving the modern enterprise management system, since that in the modern market conditions, the issue of effective development for industrial enterprises becomes more relevant, while the fundamental bearing core of the enterprise's internal environment is the management efficiency. The main problem is the managerial inefficiency of an excessively large structure that is not well suited to the work in market conditions. *Methodology.* In the course of this analysis, the management system of an industrial enterprise was considered as a complex open system with the use of the system analysis methodology in the study, which made it possible to identify the main directions for its improvement. *Results.* Enterprise management is a continuous process of influencing the performance of an employee, group or enterprise as a whole for the best results in terms of achieving the goal, which has been set. The management process is provided by the trained management professionals who shape and manage the organization by setting goals and developing ways to achieve them. To do this, management must find an effective way to combine the key variables that characterize tasks and people, while taking into account the obvious and potential external and internal risks and threats. Setting goals and providing them with policies, strategies, procedures and rules, the necessary management mechanisms contribute to the solution of this task. Motivation and control also play a significant role in ensuring that the tasks are completed effectively. However, the key in this is precisely management, which is most obvious and directly related to the systematic coordination of tasks and, accordingly, the formal relationships of people performing them, and the correctly selected management process toolkit allows the enterprise to achieve the greatest efficiency. *Practical implications.* The performed analysis of the features of the functioning of the enterprise management system allows us to determine the following areas for improving the modern enterprise management system: improving the business processes of the enterprise, ensuring high-quality control in the enterprise management system, and introducing the enterprise risk-management. *Value/originality.* The use of system analysis made it possible to determine and substantiate the main directions of improving the modern enterprise management system.

Key words: enterprise, controlling, business processes, risk-management, enterprise management system.

JEL Classification: D01, D22

1. Introduction

The current state of the economy, which is experiencing the multidirectional influence of environmental factors, requires the production sector to improve management efficiency, to use new management tools in business practice that ensure the qualitative growth of the industrial business and its competitiveness in the domestic and foreign markets. Solving the problem of the increase in the competitiveness of industrial business through improving the

quality of enterprise management and ensuring the growth of the efficiency of its production activities is especially important in the context of strengthening the integration of the state economy into the world economy, strengthening the integration processes. The problems of coordination and effective interaction of strategic and tactical priorities for the development of industrial enterprises are currently becoming an urgent task. Strategic interests of the development of micro-level industrial economic systems are

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aimed at the growth of business capitalization, the sustainability of its development, and the achievement of long-term competitiveness in a dynamically changing environment. On the other hand, traditionally, the goal of the operational management of industrial business development was considered to maximize the current profits and economic efficiency. Obviously, in the context of the conjunctural and institutional transformation of the industrial business and industry markets, the need to consider new effective directions for managing an industrial enterprise to ensure its highest efficiency in balance with the priorities of sustainable development of an industrial enterprise is actualized.

2. Improving the business processes of the enterprise

Effective management of a production facility is traditionally viewed as a process based on the use of the modern management technologies and more advanced forms of its organization. The theory of business processes appeared at the end of the last century with the publication of the book by M. Hammer and J. Champy "Reengineering the Corporations: A Manifesto for Business Revolution", where the authors define a business process as "a set of different types of activities, within which at the entrance one or several types of resources are used, and as a result of this activity, the "output" is a product that has a certain value for the consumer" (Hammer, Champy, 1997). Today, business restructuring based on business processes has been adopted by almost all the leading companies in the world. It has been proven in practice by many enterprises that even a partial improvement of the organization's business processes brings an effect in the form of an increase in production by 10-20%, while a fundamental rethinking and radical design of business processes to achieve the fundamental improvements in the key performance indicators, it requires a dramatic tenfold increase in efficiency.

At the same time, according to M. Porter and V. Millar, business processes are a set of internal steps (types) of activities, starting with one or more inputs and ending with the creation of products that the client needs and that satisfies him or her at a cost, durability, service, and quality. Moreover, this is the full flow of events in the system, describing how the client starts, leads and ends the use of the business (Porter, Millar, 1985).

Management activity at the management level of an industrial enterprise based on the process approach is the continuous execution of a set of certain interrelated types of activities and general management functions. However, it should be noted that the performance of individual work and management functions is also considered as a process, i.e. a general process is a set of interconnected continuously performed actions that transform some inputs of resources, information, etc. to the appropriate outputs and results. Management, as a whole, is the fundamental meaning and essence of the process approach.

The meaning of the business process management lies in the effective response of the organization to the requests of the external and internal environment in conditions of the complete independence from stereotypes. Business process management is an increasingly important element of the management of a modern organization. The main prerequisites for the implementation of management based on the business processes include:

- understanding of the entire flow of work, their role and level of responsibility by the employees of the organization;
- providing employees with the maximum freedom of action;
- reliable and effective communication at the junctions of the elements of the business process;
- exchange of information in real time;
- the possibility of regrouping the elements of the business process, if required by the interests of the organization in solving a specific problem;
- the ability of employees to solve a wide range of tasks;
- liberation from management stereotypes;
- non-standard, creative thinking of the employees;
- initiative and improvisation instead of diligence;
- strong and guaranteed motivation (Robson, Ullah, 1997).

Improving business processes in industrial enterprises allows you to create a whole block of strategic advantages and provide a higher level of competitiveness:

1. The management system based on business processes allows you to quickly respond to changes in the external environment.
2. Management becomes clearer as it becomes possible to evaluate the efficiency at each stage of the production as well as the economic activities of the enterprise.

3. Allows the use of a process approach in accordance with the requirements of ISO-9000.

All of the above proves that the process approach leads to a synergistic effect, as a result of which the improvement of one of the business processes leads to the improvement of others.

In the context of the rapid growth of tension and instability of the external environment, the diversity of the market economy processes requires constant adaptation of industrial enterprise management processes to changes and reorientation to market needs, which in turn requires a systematic improvement of management. Improving management, first of all, should be aimed at optimizing the organizational structure of the enterprise.

The transition of an organization to a process-based method of forming management structures leads to the achievement of fundamental improvements in the main indicators of the enterprise, to the creation of a more optimal management system, and an increase in its flexibility. A process-oriented management model (i.e. a management model focused on business processes) requires the allocation of business processes at the level of modern requirements: name a certain type of work, designate its beginning and end, find the "owner of the process" (the one who is responsible for the result), and determine the required result (including indicators of quality and efficiency) (Kondratev, 2007).

3. Controlling in an enterprise management system

Modern conditions for the functioning of business entities require the improvement of the management processes at the enterprise. First of all, this concerns the optimization and streamlining of management influences on the economic sphere, the choice of alternative options for achieving the set goals. At the same time, the level of efficiency, reliability of accounting and control, the quality of analysis of the financial and economic activities of the enterprise should be so high that it becomes necessary to create a unified information support for these management functions and their integration into a single system.

One of the most important directions in the development of the theory and practice of management and improvement of the organization of planning, accounting, control and analysis of the financial and economic activities of the enterprise

is the concept of controlling, the implementation of which allows to provide the necessary information at various levels of management in the right time and with high quality.

To date, six concepts of controlling have been formed:

- management accounting (80s);
- management information system (late 1980s);
- planning and control (early 90s);
- coordination (90s);
- management (late 90s);
- coordination of the decision-making process (2000s).

The possibilities of controlling in exercising control over management functions in order to coordinate the management system at the enterprise are provided through the creation of an information system for supporting the adoption of managerial decisions on the basis of data coming from the structures of the enterprise. These information flows provide the planning and control processes on which result-based management is based. The source of obtaining information resources is a system of quantitative indicators developed to set and measure the achievement of management goals.

On the one hand, the need to apply control in order to manage the results of an enterprise's performance is due to the need for coordinating control, and the need to regulate and formalize management procedures to achieve the desired results, on the other.

It is worth noting the conformity of management and controlling in view of the presence of a coordinating component in both, while coordination as an interregional function within the management process was called the "essence of management". Due to the division of the management system into two independent subsystems – coordination and controlling – the need for coordination is increasing. Although some management subsystems, like organization and planning, perform specific coordinating tasks in relation to the operational system, there remains a further coordination task within the management system itself as a separate management system.

At this stage, coordination is not connected in any way with the management system as a whole, but is addressed to the operational system. Moreover, increasing complexity and environmental volatility reinforce the internal differentiation of the management system and the need for a unifying

coordination role. Under these conditions, the theory of controlling, rather implicitly than explicitly, suggests that classical coordination tools (hierarchy, planning, program management, and personal leadership) are not able to provide the desired result.

Consequently, there is a problem of internal coordination of the management system, the controlling of which is intended to solve it with the help of its instrumental and methodological base. Its task is to exercise control (supervision) over the execution of management functions in order to coordinate the management system and link the information flows of the individual structures of the enterprise into a single whole. In this context, controlling can be understood as a function of coordinating control based on the method of information support of the management by results.

As part of the implementation of the controlling technique, an integrated approach is required to determine the sources of information resources. The main source of data in the controlling system is the internal accounting information generated in the framework of financial and (or) management accounting.

First of all, the accounting information as the main controlling tool should contain actual data on costs and volumes of the turnover by type of product at the base date. This data, in combination with the estimated characteristics of the intensity of their measurement, is used as the basis for calculating the target planned indicators of the costs and volumes of turnover for the planned dates. In the course of controlling, control activities are carried out: the actual values of the indicators are compared with the planned targets. Based on the analysis of the identified deviations, the proposals are developed on the advisability of introducing corrective measures.

In addition, one of the most effective methods for introducing management technologies is a phased change in the information and control flows of an enterprise. Its application means the sequential implementation of a series of steps, the effectiveness of each of which can be assessed immediately after its implementation.

There are several stages here: goal setting, development of a results management strategy, implementation of planning, accounting, control, and analysis technologies.

The formation of a mechanism for information and analytical support for the management of enterprise

performance, regulation and formalization (modeling) of management procedures for achieving results is assigned to controlling, which is a function of control (supervision) over the implementation of the management functions. In the methodological aspect, the role and place of controlling in the results management system is to determine the system of quantitative indicators used to describe goals in the process of setting and fixing them, measuring and evaluating their achievement.

4. Basic principles of enterprise risk management

The experience of leading international companies operating in the manufacturing sector has convincingly proven that the stability of business development and improvement of management efficiency are impossible without the active use of risk management tools as an integral part of the company's management system, regardless of its size, scale and specifics of production or provision of services (Stupakov, Tokarenko, 2005).

A. Shapkin and V. Shapkin note that "the general conceptual approach to managing economic risk is:

- identification of possible consequences of entrepreneurial activity in a risky situation;
- development of measures that do not allow, prevent or reduce damage from the exposure to not fully considered risk factors, unforeseen circumstances;
- implementation of such an adaptation system
- entrepreneurship to risks, with the help of which the negative probable results can be compensated for, but also the chances of obtaining a high entrepreneurial income can be maximally used" (Shapkin A., Shapkin V. 2013).

The risk management system of an industrial enterprise should be aimed at achieving the necessary balance between making a profit and reducing losses of economic activity, and should become an integral part of the organization's management system, i.e. should be integrated into the general policy of the company, its business plans and activities. Only if this condition is met, the application of the risk management system in the enterprise should be considered effective.

The risk management system of an industrial enterprise should imply the creation of the necessary culture and business infrastructure to identify the causes and main factors of risks; identification, analysis and assessment of risks; making decisions

based on the assessment made; development of anti-risk control actions; reducing risk to an acceptable level; organizing the implementation of the planned program; monitoring the implementation of planned actions; analysis and evaluation of the results of the risk decision.

The creation and maintenance of the viability of an industrial enterprise of a risk management system will ensure the stability of its development, increase the validity of decision-making in risky situations, and improve the financial situation by carrying out all types of activities under controlled conditions.

Risk management in the industrial enterprise should be based on general management principles: scientific management, a systematic approach, management optimality, management efficiency, regulation, formalization, material and moral incentives, correct selection and placement of personnel, responsibility, continuity of management decisions, etc.

Special principles of risk management include the principle of loyalty to risks, information content, predictability, integration and documentation.

The content of the risk management process is made up of functions that represent separate activities in the general cycle of risk management: planning, organization, coordination, motivation and control (Bublik, Silantev, 1999).

It is important to note that risk management is associated with both negative and beneficial consequences. The essence of risk management is to identify potential deviations from the planned results and manage these deviations to improve prospects, reduce losses and improve the soundness of decisions. Managing risk means identifying opportunities for improvement, and avoiding or reducing the likelihood of unwanted developments.

Risk management implies a thorough analysis of the conditions for making decisions and should be a logical and systematic process that can be used to choose a way to further improve activities and increase the efficiency of the organization's business processes.

In the process of management, the parameters and properties of risk change, while knowledge about the current situation and trends in its change is formed, a new algorithm of actions is formed, the directions and means of economic activity of an industrial enterprise are adjusted.

The result of management influence on risk is a new ratio of favorable and unfavorable events,

a new value of the probability of each of them occurring. At the same time, the likelihood of adverse event outcomes decreases.

When using risk as a resource, it is assumed that measures are taken to expand the range of the entrepreneur's capabilities to respond to changes in the external environment.

It should be noted that "risk management cannot be viewed as a one-step decision or action, even if it is detailed and well-grounded. In the case of a rapidly changing business environment, such a static point of view would contradict the principle of performance. Therefore, risk management is a dynamic process, being an integral and important element of the overall management. Consequently, it must meet all the requirements of agility and flexibility for making business decisions" (Ioda, 2007).

5. Conclusions

The results of our research prove that industrial organizations, according to the general logic of development, evolve and constantly develop in order to improve their activities and increase stability while facing an unpredictable transformation of the external environment. Successful functioning of an economic entity is based on the implementation and quality execution of all components of the system of business processes, the individual effectiveness of which should be assessed through a specific contribution to the achievement of the goals of the entire organization. Thus, the performance of the enterprise is achieved by a collective effect, since individual processes can differ in their effectiveness. In the current environment of a sharp increase in competition, the management of the industrial structure is called upon to carry out adequate measures that allow obtaining the greatest return.

At the same time, comprehensive risk management will allow an enterprise to take into account internal and external risk-forming factors in its activities more fully, to determine ways to ensure the stability of an economic entity, as well as its ability to withstand adverse situations. In the context of the dynamic transformation of the operating environment of an industrial enterprise, uncertainty and instability of the macroenvironment, there is an objective need for a regulated effective risk management methodology. The main goal of the risk

management system of an industrial enterprise is to ensure the successful functioning of a business unit in conditions of risk and uncertainty. This means that even in the event of economic damage in certain areas of activity, the implementation of risk management measures should provide the organization with the possibility of continued existence and stability of the corresponding cash flows, maintaining profitability, as well as achieving other goals. At the same time, the greatest efficiency of this process can be

achieved provided that the risk management program, being built into the general system of making management decisions, will be of a service, subordinate nature in relation to the implementation of the general strategy of the organization, and the goals and objectives of the risk management system will be consistent with the goals and the mission of the enterprise, as well as the methods of dealing with risks included in the general algorithm will be adequate to its economic activities.

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