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Integration of Diversification and Systematic Approach in the Development of Corporate Management Consumer Market Entities

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The article discusses the application of an integrated approach in the development of corporate management, the development of a systematic approach to managing network business. The main trends in the retail trade are studied. The classification of the management models, adopted in the modern network trade, as well as the ability to integrate diversity and systematic approach are offered.

Keywords: integration, systematic approach, diversification, corporate management, the retail network structure.

Introduction

The conditions of transitive economy predetermined non-traditional approach to the basic subsystems of human life, what is the consumer market for the population of a particular region. The consumer market (CM) is a kind of socio-economic system of market economy, which needs to be adequate to its purposes and functions of the control system: a mechanism of management, process management, management structure (MS). MS defining goal is providing the improved human capacity for the standard-based consumer values for the population of a specific region in the new conditions of its operation. MS must also create the conditions

in the general adequacy of the CM strategy of its strategic choice. Being an open system, the CM has the willingness to change, which forms the interaction of the factors of internal and external environment. The main asset of CM is the population, organizational behavior of which determines the need.

The purpose of the study is the need to review the scientific basis of MS, as well as the whole complex of problems associated with the definition of methodological approaches and identify the fundamental principles of corporate governance in the socio-economic system.

The consumer market requires a relatively large number of independent buyers and sellers,

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acting and interacting on the basis of the certain laws. The market “mixture” (supply of goods, the demand of goods, and the price of goods) of CM creates the necessary combination of values submitted by the consumer goods and services to the public and their prices. In a market economy, an indicator of the reliability of the CM space-time acts as a balance between supply, demand and prices of goods and services. A specific feature of the CM performs its social orientated function, at different priority of goods and services. All this leads to the necessity and possibility of federal and municipal authorities to form an adequate MS that would ensure the formation, maintenance, changing consumer values for the population of a particular region. *Such* management should be corporative.

**The necessity and the possibility
of corporate business entities
of the consumer market**

There is a point of view that corporate governance is management, and its object is a corporation (Open joint-stock company). But this representation is not enough. From our point of view, corporate governance can also be represented in ordinary circumstances, when the CM company is not a joint stock company. Thus corporatism is the quality of integration and unity. This quality is represented when like-minded groups are formed when there is total commitment, shared interests, uniting the idea of strategic success. Corporatism is the way of administration. In modern conditions of CM corporate management is very effective and consonant with the understanding of «strategic behavior» and «dominant culture» in a turbulent market environment.

The most important part of the consumer market – retail trade is traditionally refers to the five core sectors of the economy. Retail trade includes all activities for the sale of goods or

services directly to consumers for their personal non-commercial usage and is a part of the market, which is included in the consumer market. On the basis of the main trends of the consumer market of the Krasnoyarsk region the following conclusions can be made:

- against a background of increasing income, reducing inflation is an obvious change in the structure of consumer demand (the ratio of non-food items with food is 52/48) and consumer behavior (purchase in the formal and informal trade sector are correlated as 84/16);
- distribution of consumer lending practices overcomes the negative effects of the persistent levels of unemployment (9.4%) and social stratification (the coefficient of income inequality in 2010 was 14.5), but objectively contributes to the transfer of interest in buyers for the imported goods (the ratio of the domestic. / import in foodstuffs sector 70/30 in non-food sector – 30/70);
- high level of urbanization in the region (75% live in cities and towns), and the growing purchasing power leads to the dynamic growth of the retail trade;
- entry of foreign players in the consumer market toughens competition, mergers and activates and at the same time helps to improve the business environment, which is very important, because a certain portion of the market is still in the “shadow.”

Threats to the economic development generated by the nonequilibrium state of the consumer market, which is a derivative of the critical deformation – gravitating abnormalities in the development of the individual segments of the economy and market institutions. This leads to the necessity and possibility of formation and development of the corporate governance

as an innovative type of management for the development of the modern service industries.

Evolutionary diagnosis of admissions management decisions in the organization of business entities of CM in this economic system is associated with the evolution of the market (a seller's market, a buyer's market, the market for post-industrial society, the global saturated market). This initiates a change in priorities and key management methodologies, as the business model of CM as an organization has a significant impact on its competitiveness. At the same successes in the past, management decisions converted from the sufficient required conditions more rapidly. For example, the sphere of the sufficient conditions of the seller's market (the functional regulation, the costs – issues) are the necessary conditions for a buyer's market (for sufficient conditions – marketing and promotion, motivation). Factors that yesterday were sufficient to create a competitive advantage, today only provide necessary conditions for competitiveness (Kondratyev, 2008).

Under the present conditions there is a stable trend in the concept of organization and management. This is due to rearrangement of the essential relationships between the suppliers of products (goods and services) and consumers (clients). The defining concept of business serves the customer's relationship management. The goal of organization management is to improve the personalization of customer relationships. This goal is achieved through a customer-oriented approach aimed at the installation of such a relationship with each client to create unique value for the customer (often non-economic), and to be profitable for the vendor products. The strength of the consumer (client) power is now much higher than supplier that provides the customer with an active role, and often leading business player.

To solve the above-mentioned problems it is necessary to develop theoretical and

methodological provisions to improve the management system more detailed taking into account the characteristics of the service industries and the need to improve the quality of management in the sectors of this area, which led to study the relevance of diversification and integration of a systematic approach to the development of corporate management as a conceptual business entity basis.

It should be noted that a lot of attention in research works and publications focused on such an areas of knowledge, as an efficient and competitive management, quality management, while the quality of the management system are studied only by few scientists. At the same time, considering the dependence on the nature of service quality management processes may be noted that the improvement of management systems is possible only through the integration of the systematic approach and management diversification.

Management diversification is the objective tendency of development. It improves the stability and efficiency of business management, promoting better use of resources, increasing the adaptability of the control system and its flexibility. Since the 80s of the twentieth century, management diversification increases. This is due to (I. Ansoff in his paper "The New Corporate Strategy") the following causes of diversification:

1. Diversified organization, when it can not achieve its goals within the existing business – the portfolio. The reasons for diversification may be a saturation of the market, the overall decrease in demand, competition or obsolescence of products, a disproportionately large part of sales attributable to a single buyer, a narrow market or limited technological base, the emergence of new technologies.

2. Even if an organization has attractive opportunities for expansion, successfully moving toward its goals, it may decide to

diversify, if the amount remaining in its income is insufficient to carry out plans to expand its current activities and if it will allow it to make large profits, rather than a simple extension of the production.

According to this, organization will attempt to diversify when the opportunity to put a new challenging goal appears.

Diversification of business management services exists in the needs of the manifest typological selection of management options and combinations of these options to the needs of diverse facilities management. In the typology of the company's management there are no absolutely bad and absolutely good governance types. The modern manager needs the development of varitype thinking, which is impossible without understanding the diversity types of enterprise management services, their symptoms and causes. The most common businesses use these types of management as a strategic, crisis, innovation, economic, project management and staff, etc. Diversification of the management company is a combination of the diversity of forms, approaches, circuits, facilities management, functions, etc. These trends are caused by practical needs. The diversification of the business of the consumer market is the main trend. To manage successfully is, among other things, successfully and reasonably choose the type of control that would be most appropriate or effective in specific circumstances, and for this we must know the possible types of control and have the methods of their choice. Thus, the most important objective prerequisites of diversification management, in our view, were: firstly, diversification of production and, consequently, the diversification of management, and secondly, the convergence of the objectives, approach, functions, facilities management to improve the management and diversification of these components, respectively.

The above mentioned diversification of enterprise management services require further consideration, which is impossible, in our opinion, without examining the existing systematic approach to the quality management of business entities of the modern consumer market.

The concepts of "system" and the "systematic approach" in the modern world are widely used in various fields of knowledge and activities, although till now there is no strict definition of the conventional system. The system is often defined as a set of interrelated elements, combined into a single unit due to the fact that its properties are not reducible to the properties of its constituent elements.

At the present time the scientific literature examines various systems: economic, social, organizational, technological, biological and others, and also develops the classifications (everything in the world is systematic). In this case, on the one hand, the notion of «system» is used to denote a certain real-life events, and on the other hand, it is used as a method to study this phenomenon. Application of the concept of the system as a methodological approach began relatively recently, in the 50s years of the twentieth century. In this case we are talking about using a systematic approach.

From the standpoint of a systematic approach the organization of services may be considered as an open system, the characteristics of which are caused by the interaction of its elements (internal environment) and are inseparably connected with the external environment of the direct and indirect impacts requiring consideration when choosing a strategic form of behavior in transitive economy. In this study, we use the classification of configurations of today's organizations by Henry Mintzberg (Mintzberg et al, 2000), as development approaches the school configuration. The author identifies the following configuration of the

organization: mechanistic, business, innovative and professional.

Proving nature of the systematic approach, usually mean that it is not just about a set of procedures, operations and techniques, but the total (system) principles, which define the overall purpose and strategy of the organization. The systematic approach is currently the most important and productive in the study of various socio-economic phenomena, including the efficiency, competitiveness and quality control. The organization as a dynamic system which plans to have a management system (the mechanism of control, organization structure, process control), which forms the updated skills. This is analogous to the concept of “new skills”, “special competence” or “proven benefit of competition.” These processes will be of strategic thinking to the work, the change of management (Chaplina et al, 2009).

Integrating diversity and systematic approach to managing the organization is a seemingly incongruous combination of the incompatible and the connection of the unconnectable. However, in our opinion, there is convincing evidence of such an integration (Chaplina et al, 2008).

It has already been noted that diversification is a multi-variant, a variety of the used approaches, the actions in relation to the object of research and management. The systems approach, in turn, involves the examination of some integrity, which has a relative stability in a certain period of time. Thus, we are talking about such properties as the volatility and stability, which are inherent in the quality of various objects. As a consequence, the current management of an organization involves the integration of diversity and systematic approach, respectively, reflecting the multi-variant approach, the integrity and stability of the object.

The development of integration processes in the economy and the relationship between

the territories imply a high level of services and trade as a link of the economic mechanism. Prospects for growth in the provision of services make them a very attractive sector for investment and the application of entrepreneurial activity. Obviously, to enter the market and consolidate its position will be possible to those companies, which services will conform to the international quality standards, have high value to consumers and benefit from its acquisition.

The company offers on the market not only the service and the quality of their work. This system defines the specific objectives of the enterprise services and puts forward a number of special management requirements, which must take into account the proximity to consumer changed preferences, the special role of the human factors, the importance of information support services, etc., and thus have a certain number of distinctive features that provide the achievement of these goals.

The terms of guaranteed quality of a wide range of goods and services, for the convenience of the buying process can provide retailers, which have the following advantages: the consolidation of purchases enables us to get serious external discounts, centralized control and management functions, leading to serious reduction in internal costs. According to some analysts, in the next 3 years the proportion of networks can be up to 60% of retail sales in the region.

Thus, the realization of the potential consumer market is associated with the formation of the retail chains, the breadth and scope of which will largely be determined by the trade policy in the region. The main participants are the retailers – the independent entity created by the entrepreneur or association for the sale of products, goods, services to the final user in order to meet social needs and make a profit.

New forms of trade between companies are “born” almost every day, constantly threatening

the existing ones. Competition between different types of shops is becoming more and more “universal”. Discount stores, showrooms, department stores are all fighting for the same consumer. According to Kotler, one of the reasons for the emergence of new forms of retailing is the principle of the retail turnover. At present, under conditions of increasing competition in the retail sector modern forms and methods of commerce, new formats of trade, integrating the use of Western instruments of trade, the use of new techniques and modern technology are appearing.

Network size is a union of at least two shops that have common principles of management and, as a minimum, implement one of the main advantages of the network compared with a detached shop – consolidated purchasing goods, obtaining the best pricing terms from vendors.

The main features of the network size enterprises are the following: monitoring of procurement and retail prices in the central office, the centralized management of enterprise resource, the unified discount system, the common investors, a single brand. Retail trade establishments having in its structure a network of sales outlets (stores) are functioning in the mode of network size and form of retail trade. Retail network may include both stores in one format (uniformed retailers), and the union shops in the various formats (multi-format retailers). Regulation of retail networks in the consumer market is shown in Fig. 1.

In the modern scientific literature there is a range of concepts that characterize the activities of the retail trade enterprises, which bring together two or more shops and have the main features of the network size. Therefore, in this study, the concept of «corporate chain stores,» «commercial enterprise network format,» «network trading company,» «retailer,» «retail,»

«network operator» will be treated as equivalent (Chaplina, 2002, Chaplina et al, 2008).

Thus, net trade refers to the modern retail formats that have features of the operation and management: the opportunity to consolidate purchases from suppliers, the application of the modern information technologies, the efficient use of logistics management – a high degree of automation of the trading process; additional services to the customers, higher rates performance on an employee; high quality of service, a wide range of products. It should be emphasized that the management of a chain of stores is much more complicated process and the price of errors increases dramatically, and replicated with an increase in the trade network. In this study we represent a brief classification of the generalized models for managing a chain of stores (Table 1). Overview of key management models of retail distribution networks enables us to formulate the main trends in the CORPORATE management.

1. Limitation of the range of suppliers.

Thanks to the modern information systems and purchasing power, the retail chains are able to provide significant discounts to their customers. Enterprise network format prefer to deal with a small number of large suppliers.

2. Strengthening the role of the vertical marketing systems. Operation and programming marketing channels are more often carried out on a professional level. As soon as the large retail chains expanded their control over marketing channels, small independent shops are just replaced.

3. Using a portfolio management approach.

Retail chains very often open stores which are intended for people with a certain lifestyle.

4. The increasing importance of the technology in management. Technology becomes a critical element of competition in retail trade. Progressive companies try to make an

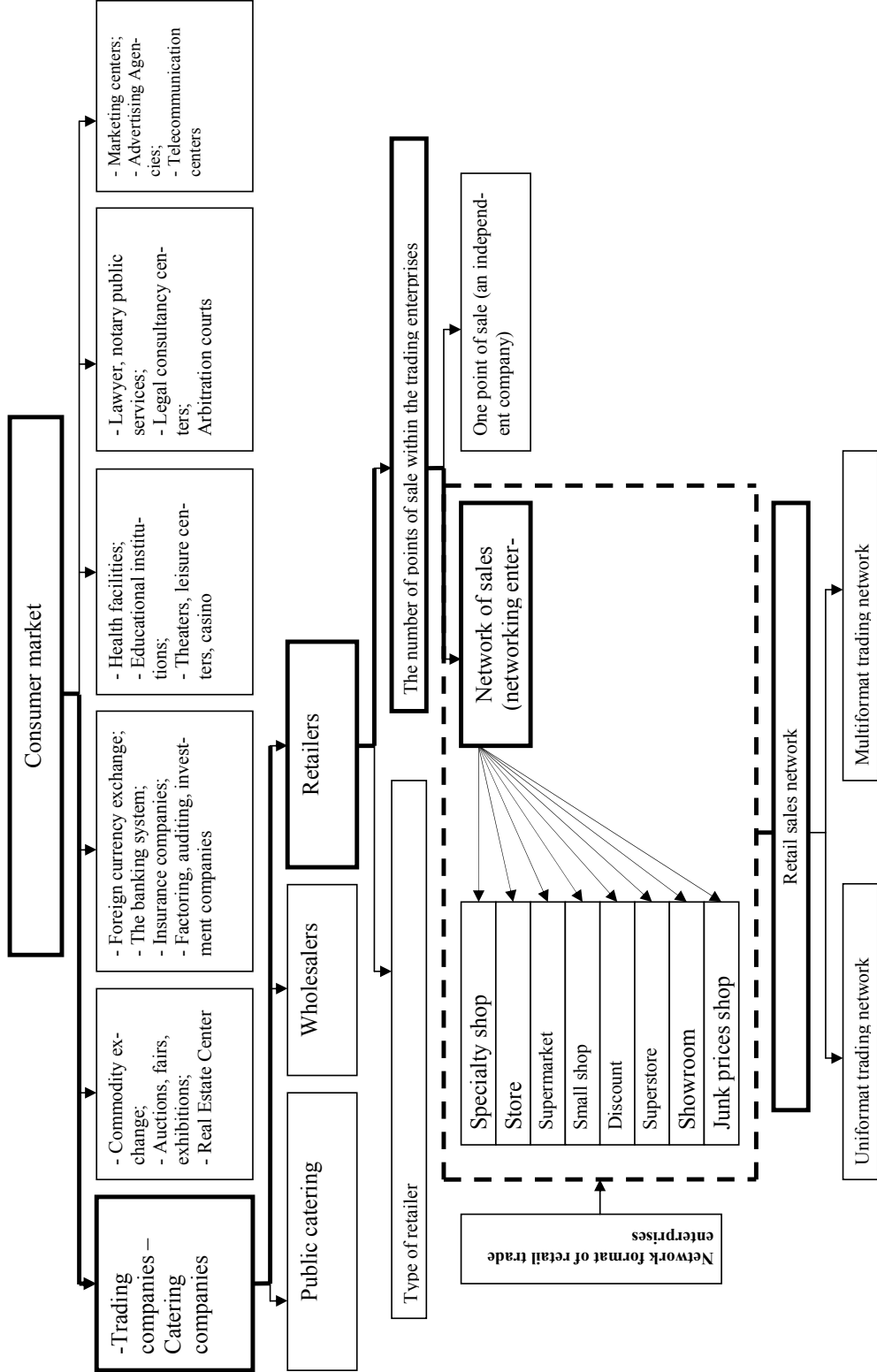


Fig. 1. Location of the object of research in the theory of the consumer market

Table 1. Classification of the management models adopted in the modern network trade [compiled by the authors]

Management model	Summary of the management model	Users of the the given model	Advantages of the model	Disadvantages of the model	Information architecture
1	2	3	4	5	6
«Investment» model of management	Investing and synthetically consolidating financial center, with a virtually autonomous entities	Part of trading companies, which are not actually in the full sense network retailers	Management tasks are simplified in the center. Ability to show initiative	Unable to take advantage of the network operator. The dependence on the quality of a particular employee. There is no consolidation of procurement	«Packaged» software can be successfully applied Stores that are part of the network are united by common investors, or brand
«Holding» model of management	Center, strategically defining procurement policies (suppliers, and the range of purchase prices), and separate the operational management of the objects of trade	Retailers who do not have distribution centers (the operational interaction with suppliers delegated managers to stores)	The flexibility in the management of specific store managers in the field. Such a model can be used in part (for the interaction of the central office with the «shrub» structures franchise) in the construction of systems on a national scale	Excessive growth of the unit management and, consequently, high costs. It is difficult to maintain the consistency of the data center, and with the growing number of stores, this problem becomes more acute. Another drawback is the almost doubling of the fleet of servers, multiple increase in the cost of the system software	System with a distributed architecture of databases (in each store – your server with the software and data).
«Centralized» model of management	The most effective organization of the retail network. A single point of management functions delegated by shopping, minimum required for participation in the logistics operations of merchandising (ordering, inventory, revaluation)	Most of the newly opened Russian grid companies, especially those that have distribution centers, or which came to the minimum required for participation in the logistics operations of merchandising (ordering, inventory, revaluation)	Reducing costs. Effective use of administrative staff at its concentration in a single center. In fact – it is remote control of trade objects, which makes a huge impact on the ability to organize the management of a continuous way, to intensify all the business processes of trading companies, and thus gain a competitive advantage	The dependence of the system from the communication channel. If the communication channel is not possible to a specific remote object, there is a need to deploy either an autonomous information system with information sharing capabilities to a central server, as well as place the device management, battery life is sufficient for the store to connect the object to «holding» the method of control, or to work on so-called «Tray» principle	Work in on-line mode with a single database server at the center (requires a dedicated channel; desirable for low-channels) allows to concentrate investment on a single server, to reduce acquisition costs of the system and application software, as well as reduce staff IT-specialists. The cost to build channels of communication does not pale in comparison with the economy on the decline (ten times) the rate of growth of the management by increasing the number of objects of the company network

Continuation table 1

1	2	3	4	5	6
<p>“Tray» model of management</p>	<p>The model with the total concentration of control in the center and a complete lack of control functions in the store, except for holiday shoppers goods</p>	<p>Used in recent years for some formats, stores, primarily for networks of «hard» discount.</p>	<p>The greatest savings of technical and human resources</p>	<p>Virtually eliminated direct delivery of the «new» products to the store. Complicated technology of pre-sale preparation of goods in the store</p>	<p>Lack of information systems in stores (only cash registers), the exchange of information with the center by e-mail, modem, (pre-sale preparation is mainly done at the distribution center, all the goods shipped through the warehouse)</p>
<p>“Hybrid» model of management</p>	<p>In the network there are objects that are managed centrally, and some shops can work on the «holding» basis</p>	<p>Retailers who are building nationwide networks</p>	<p>Virtually the only possible method of control for national and international network of retailers in the Russian context, ensuring the consolidation of the commodity in the center</p>	<p>Disadvantages are similar to the «holding» management model. However, they can be substantially reduced if the territorial «chains» controlled by the «centralized» or the «Tray» method of management</p>	<p>A system with a distributed database. However, if the inner «chain» has been working with a centralized architecture, the number of servers is reduced greatly. This does not allow build a dedicated inter-regional links.</p>

accurate forecasting, use cost control, computer programs, e-mail services and electronic means of placing orders with suppliers.

Conclusion

The study of international experience suggests that the network trade can take up to 90% of the retail market in the country. This is because the network form of trade itself is a competitive advantage over a separate store (the best terms with suppliers, reducing costs, a popular brand). For home shopping business network, the form of

organization of the retail trade is relatively new, but rather booming. In some regions of Russia the retail market share which is occupied by the network commercial enterprises already reaches 50%, and there are tends to further growth.

Therefore, the modern conditions require the formulation of the new concepts and methods, answering questions about the forms and methods of doing business in the consumer market, new aspects of regulation, about the potential of improving the methodological and institutional support of the consumer market.

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Интеграция диверсификации и системного подхода в развитии корпоративного управления субъектами хозяйствования потребительского рынка

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В статье рассмотрен вопрос применения интеграционного подхода в развитии корпоративного управления, развитие системного подхода в управлении сетевым бизнесом. Обозначены основные тенденции развития розничной торговли. Предложена классификация моделей управления, принятых в современной сетевой торговле, а также возможность интеграции диверсификации и системного подхода.

Ключевые слова: интеграция, системный подход, диверсификация, корпоративное управление, сетевые розничные структуры.
