

Oleksandr S. Tielietov¹, Nataliia Y. Letunovska²
ORGANIZATIONAL AND ECONOMIC MECHANISM
OF INDUSTRIAL ENTERPRISES SOCIAL
INFRASTRUCTURE MANAGEMENT

The article describes the peculiarities of social infrastructure management of industrial enterprises and the capability of its efficiency to be achieved by various components. The appropriateness of different scientific perspectives on social institutions management is considered. The organizational and economic mechanism of social infrastructure management is offered. The approach to social enterprise potential evaluation is specified.

Keywords: enterprise's social infrastructure; industrial enterprise management; organizational and economic mechanism; social potential; management efficiency.

JEL Classification: J320, L590, M140.

Олександр С. Телетов, Наталія Є. Летуновська
ОРГАНІЗАЦІЙНО-ЕКОНОМІЧНИЙ МЕХАНІЗМ
УПРАВЛІННЯ СОЦІАЛЬНОЮ ІНФРАСТРУКТУРОЮ
ПРОМИСЛОВОГО ПІДПРИЄМСТВА

У статті досліджено особливості управління соціальною інфраструктурою промислових підприємств та можливості досягнення ефективності закладів соціальної інфраструктури за різними складовими. Обґрунтовано доцільність різних наукових точок зору щодо управління закладами соціального призначення на підприємствах. Розроблено організаційно-економічний механізм управління соціальною інфраструктурою. Запропоновано підхід до оцінювання соціального потенціалу підприємства в сфері управління соціальними об'єктами.

Ключові слова: соціальна інфраструктура підприємства; управління промисловим підприємством; організаційно-економічний механізм; соціальний потенціал; ефективність управління.

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Александр С. Телетов, Наталья Е. Летуновская
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УПРАВЛЕНИЯ СОЦИАЛЬНОЙ ИНФРАСТРУКТУРОЙ
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В статье исследованы особенности управления социальной инфраструктурой промышленных предприятий и возможности достижения эффективности учреждений социальной инфраструктуры по разным составляющим. Обоснована целесообразность разных научных точек зрения касательно управления учреждениями социального назначения на предприятиях. Предложен организационно-экономический механизм управления социальной инфраструктурой. Разработан подход к оцениванию социального потенциала предприятия в сфере управления социальными объектами.

Ключевые слова: социальная инфраструктура предприятия; управление промышленным предприятием; организационно-экономический механизм; социальный потенциал; эффективность управления.

Problem setting. The prerequisite for national economy competitiveness in the globalized world is the increase of labor quality. Timely identification and solution of

¹ Sumy State University, Ukraine.

² Sumy State University, Ukraine.

major problems of labor is the key issue for state sustainable development. Employment of workers is influenced by personnel movement. Factors of employee turnover are working and living conditions of workers. People are looking for better working conditions and it leads to their potential of mobility. Social privileges that personnel receives working at a certain enterprise can be a stimulus to retain staff. At some domestic enterprises personnel obtain these privileges due to internal institutions of social infrastructure. Social objects remain as an inheritance from the Soviet period. Building of new social organizations is rather costly. It is easier to develop the existing infrastructural basis. The article investigates some aspects of social institutions of industrial enterprises in the contemporary environment.

Recent research and publications analysis. The following Ukrainian and foreign scientists have been engaged in solution of the problem of enterprise social infrastructure management: O. Hrigorev (2001), V. Leksin, A. Malahanov (2004), V. Mital (2013), Y. Petrushenko and O. Dudkin (2011), F. Seidaliev (2006), Y. Ternavskiy (2011) and others.

However, the issues of practical realization of social infrastructure management, departments responsible for financial and organizational parts of these actions are controversial. In this regard, **the research objective** is to study the peculiarities of the social infrastructure system at industrial enterprises and the development of organizational and economic mechanism of their management actions.

Key research findings. The analysis of contemporary management practice shows that only a few companies focus their efforts on maintaining the existing state of social infrastructure, and even less part of them endeavor to develop and actually do something in social sphere (Zhalilo et al., 2013). To compare, among 1758 innovatively active enterprises (17.4% of the total number of industrial enterprises of Ukraine) only 6% pay attention to the improvement and development of social sector, to the so-called social innovations (Simchenko and Zhaldak, 2013).

The level of social infrastructure development in central regions of Ukraine is not so important because social needs of the locals are satisfied by a wide network of private institutions. But for peripheral regions social infrastructure of local enterprises is vital. One institution can meet social needs of the almost all population in the region. Socially active enterprises of such regions play an important role in the welfare of local people, both workers of this entity, their families and others. For example, according to statistics of the Sumy region (the peripheral one) in 2012 local companies spent 496.8 mln UAH on personnel. Out of every 100 UAH – 30 UAH were spent on the workers' welfare, 19 – on cultural and community service, 2 – on vocational training, 1 – on workers' housing. The average monthly expenditure per full-time employee is 283 UAH; in industry – 455 UAH. In 2012 among businesses that spent money on personnel every second directed resources to social security of workers, every third – to cultural and community services and professional training. Only one of 18 companies spent money on workers' housing (Complex report, 2013; Statistic Yearbook, 2013). The number of social infrastructure objects in Sumy region declines from year to year which occurs due to their transfer on to the balance of other organizations. Such transfer often results in actual elimination of social facilities.

Privatization process gripped almost all former Soviet large enterprises of Ukraine, which together with the change of ownership (usually from public to pri-

vate) undergone changes in social sector, mostly not for the better. There are such types of social objects privatization if company to which they are subordinated changes its ownership form (Malahanov, 2004):

- *formal synthesis privatization* (social objects are privatized with enterprise. The object does not acquire a legal entity status and remains on the balance of the same but already privatized enterprise);

- *commercial privatization* (social infrastructure becomes an object of commercial interest of new business owners. Social infrastructure is sold, used as a pledge for a loan or rented);

- *commercialization of reorganization* (transformation of social infrastructure that is on the balance of public enterprises into commercial organizations).

Moreover, even state-owned enterprises reduce their social infrastructure today. As a result, social infrastructure management is not effective for employees' stimulation and for regional social provision (Figure 1).

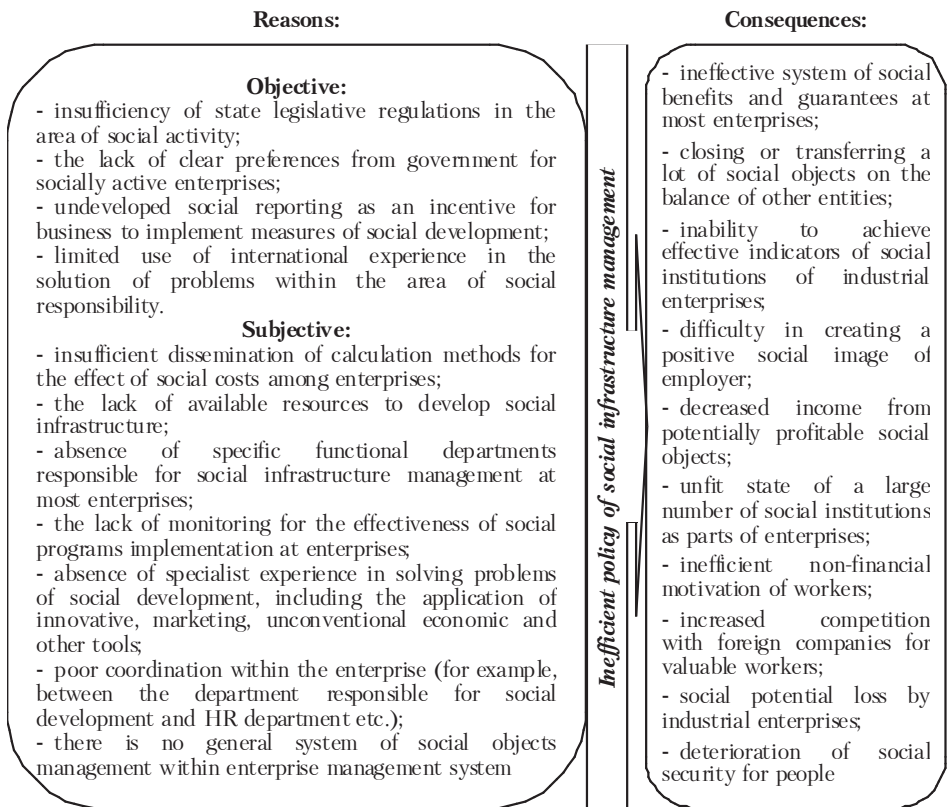


Figure 1. Reasons and consequences of ineffective management of social infrastructure at domestic industrial enterprises, authors' development

The critical need for social objects management improvement at Ukrainian enterprises is caused by several circumstances. First, competition and presence of enterprises with foreign capital. Owners of such companies after comprehensively examining the labor market of Ukraine offer their employees more attractive social

package compared to domestic enterprises (health insurance; membership in fitness clubs; providing company cars not only to members of senior management, but also to middle managers, sales staff; other social proposals). To compete at the labor market it is advisable to do not only by wages but also by the compliment of social package. Secondly, the need to change own social policy due to the threat of labor shortage, which causes the problem of attracting qualified staff. Third, the newest trend in the cooperation between Ukraine and the European Union imposes increased requirements to employees' welfare. Fourth, as H. Ford said: "I am not a scientist, I am a simple mechanic who made money, but I thought of everything. Profit is necessary to divide between capital owners and employees. Employees should be given most of it, as they do most of the work that creates wealth. Workers are unhappy with the fact that capitalists captured a larger share of profits". H. Ford is the founder of paternalism management which assumes that company takes the initiative to improve working and living conditions of personnel (Social engineering of Ford, 2014).

There are two approaches to improving inefficient social infrastructure of enterprises. Each of them has its supporters and opponents:

- *first approach* – municipalization of social infrastructure if it is necessary. Proponents of this approach (mostly the scientists of the late XXth century) prove the benefits of municipalization: transfer of financial and management responsibility for the maintenance of social objects from enterprises to local authorities (Hrihorev, 2001; Kabalina and Sidorina, 1999; Leksin and Shvetsov, 1998).

It should be mentioned that today when Ukrainian society is strengthening the role of local government this approach has significant prospects.

- *second approach* – municipalization is not the only and usually not always a proper solution of the problem of unprofitable and too onerous in financial sense social objects. Proponents of this approach are seeking a different solution to this problem. Some propose to optimize the system of social benefits and services, others – to consolidate the efforts of state and business in solving the problem of social infrastructure unprofitability (Malahanov, 2004; Mital, 2013; Petrusenko and Dudkin, 2011; Seidaliev, 2006; Ternavskiy, 2011).

As the first approach is beyond this study we consider the second opinion on the future prospects of social infrastructure management within enterprises. Development and stabilization measures must be based on contemporary principles of ensuring effectiveness. *The principle of adequacy* means that any measures to control social infrastructure of industrial enterprises should be tested firstly on their relevance in current development of social objects. *The innovative principle* focuses on the latest achievements in the area of social management – from organization to specific measures. *The principle of effectiveness* involves comparing the desired objectives and actual outcome after the implementation of measures for social infrastructure improvement. *The principle of competitiveness* is paramount for social institutions that can be profitable. They have to compete with other institutions that provide similar services in the region. *Marketing principle* focuses on marketing tools in social infrastructure management. *The principle of opportunity to choose* assumes the choice of social services for a user (worker of an enterprise or not). It is unacceptable to impose the use of social services, of course, including medical examination, visiting professional training institutions, corporate celebration at a determined place etc. *The principle of consistency* implies that

measures on social infrastructure management are carried out in a specified order. They should be accomplished according to a plan which senior management has developed. *The principle of constancy* is achieved by stability and continuity of all management activities in the social field of a company. *The principle of differentiation* assumes that enterprise owners must separate the area of social infrastructure management from all other economic activity. Social infrastructure management should be a separate function of management. *The principle of versatility* covers all possible options of infrastructure use: from using it as intended (if it brings income or is important for staff motivation) to renting it, for instance (to cover the costs spent on it).

Social infrastructure of an industrial enterprise is a complex system which consists of subsystems and includes a large number of interrelated elements. *Social infrastructure management* is the process of planning, organizing, motivating and controlling the activities of social objects. Social infrastructure management includes the development of organizational economic mechanism, management of decisions, which together lead to the successful operation – effective work of all social institutions of a company. *Organizational and economic mechanism of social infrastructure of an enterprise* is a combination of elements that create the organizational and economic basis of managerial influence on the factors that affect the results of social activities (Figure 2).

The control subsystem includes company's management and organizational units responsible for social management. It affects the controlled subsystems through management processes. It is consistent with the subsystem of objectives, principles of social infrastructure management. Information on external and internal processes comes through information subsystem. Controlled subsystem implements the goals and objectives, planned actions for social infrastructure management. Regulatory support subsystem affects the process of measures being implemented. The reverse process of interaction with management subsystem takes place after the process of implementing. It is a test of measures implementation for their effectiveness.

Units responsible for social infrastructure management, their main tasks and information on the state of social enterprise that comes from them are shown in Figure 3.

Local management is represented by authorized persons within a particular social object. It is typical for hotels, restaurants and leisure business. They are more independent economically and try to get self-sustaining status, although in reality it is not so due to not enough innovations and marketing in their management. Therefore, they are financed by enterprise in most cases.

Despite different sources of social infrastructure financing, most of them are directed to restoration of social sector assets. The structure of investments of industrial enterprise in social infrastructure depends on the following factors: taxation of business income; growth rate of product realization; asset structure of the company; state of the capital market in the country; interest policy of commercial banks; financial management processes of the company; strategic directions of the company; the amount of social objects an enterprise has etc.

For social infrastructure which is subsidized capital investments are necessary for the renewal of fixed assets. It helps to improve the quality of services and to increase demand. If we consider the commissioning of new fixed assets or expansion of existing capacities then it is appropriate only for social objects that are self-sustaining.

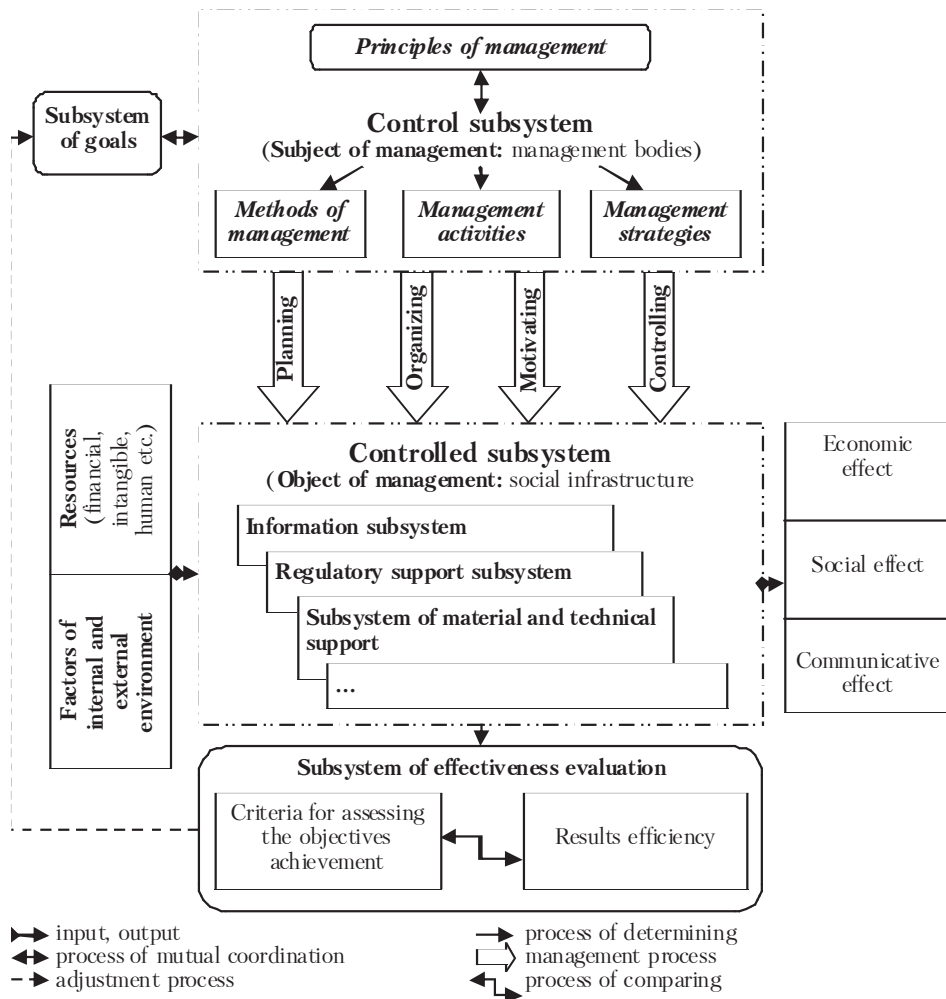


Figure 2. General scheme of the organizational and economic mechanism of social infrastructure management at industrial enterprise, authors' development

The choice of efficiency criteria is one of the elements of the mechanism of social infrastructure management. Each social institution subordinated should ideally have some economic, social and/or motivational value for an enterprise.

To determine the potential of social enterprise in the area of social infrastructure management we suggest using the following formula:

$$SP_i = \frac{(E_1 \times w_{e1} + M_1 \times w_{m1} + S_1 \times w_{s1}) + (E_2 \times w_{e2} + M_2 \times w_{m2} + S_2 \times w_{s2}) + \dots + (E_n \times w_{en} + M_n \times w_{mn} + S_n \times w_{sn})}{w_{e1} + w_{m1} + w_{s1} + w_{e2} + w_{m2} + w_{s2} + \dots + w_{en} + w_{mn} + w_{sn}}, \quad (1)$$

$SP_i \rightarrow 1$

where SP_i – social potential of an enterprise in the area of social infrastructure development; E_1, E_2, \dots, E_n – the indicators of economic component of the first,

The main goal of social infrastructure management at an enterprise is to achieve profitability of potentially profitable social infrastructure; achieving of target proposal of social objects for personnel; the increase of cooperation effectiveness between state authorities and business in the sphere of social development; increasing the efficiency of social infrastructure

Department	Task of the department	Information that must come
<i>Department of social development</i>	Ensuring the effectiveness of social policy including social infrastructure management; monitoring of social changes in the company	The effectiveness of social spending; achieving normative indicators of working and living conditions for personnel; stability of social situation at the enterprise etc.
<i>HR department</i>	The impact of social benefits to attract necessary personnel; regulation of training and retraining of personnel in the system of social infrastructure; monitoring personnel development in different units; arrangement of sociological research on the effectiveness of work with personnel and staff stability	Changes in the quantity and quality of staff; indicators of consistency and turnover of employees; information about vacancies and the rate of their filling; effectiveness of personnel motivation system etc.
<i>Finance and economics department</i>	Financial support for management activities in the area of social infrastructure	Financial and economic indicators of social institutions
<i>Marketing department</i>	Finding and attracting customers who do not work at the enterprise; organization services at high level; analysis of requests and needs of customers of social objects; development and implementation of measures to promote social services of certain institutions; formation of product, pricing, communication and promotion policy of social institutions; tracking the actions of competitors	Information on the effectiveness of promoting services policies; monitoring of the number of customers, repeated visitors; information on social services market conditions; monitoring the opinions of service users on various aspects of social proposal using etc.
<i>Department of information and technical support</i>	Gathering information required for formation of database; implementation and monitoring of special software of social infrastructure management	Completeness of information in databases; frequency of data regarding the development of social institutions; the effectiveness of database use by other departments involved in social development management etc.
<i>Department of public relations</i>	Cooperation with government agencies and public; analysis of social image and company's reputation	The ratio of public to the enterprise; level of partnership with government agencies; social image of the company; reputation of the company as an employer etc.
<i>Local management</i>	Providing consistent and uninterrupted function of social institutions; transfer of necessary information to company's management; set-up of customer service directly within institution	Latest information on a wide range of indicators on a certain social object

Figure 3. Departments in social infrastructure management structure at an enterprise: their tasks in accordance with the main goal of management and the list of possible information that comes from these departments, authors' development

second, ..., n -th social object accordingly; M_1, M_2, \dots, M_n – the indicators of motivation component of the first, second, ..., n -th social object accordingly; S_1, S_2, \dots, S_n – the indicators of social component of the first, second, ..., n -th social object accordingly; $w_{e1}, w_{e2}, \dots, w_{en}$ – weight of economic component of the first, second, ..., n -th social object accordingly; $w_{m1}, w_{m2}, \dots, w_{mn}$ – the weights of motivation component of the first, second, ..., n -th social object accordingly; $w_{s1}, w_{s2}, \dots, w_{sn}$ – the weight of social component of the first, second, ..., n -th social object accordingly.

The limits of the indicators from formula (1) are:

$$\begin{aligned} E_{(1,2,\dots,n)}, M_{(1,2,\dots,n)}, S_{(1,2,\dots,n)} &\in 0 \vee 1, \\ W_{(e1,e2,\dots,en)}, W_{(m1,m2,\dots,mn)}, W_{(s1,s2,\dots,sn)} &\in [0;1]. \end{aligned} \quad (2)$$

Components E , M and S are equal to 1 if an object fulfills the conditions of efficiency, and are equal to 0 if it doesn't. Methodology and methods for calculating these components are shown in (Letunovska, 2014). Weights are determined by experts. They can be different for each infrastructure object depending on the specifics of institution, social services provided, specifics of company's activities etc. The weight of motivational component of those institutions that are assigned primarily to meet the needs of staff must prevail.

In practice, the indicator SP_i almost never can be equal to 1. For most institutions of social sector it is acceptable to have significance of at least 1 of 3 components for their effective status. But it does not mean that a company should not try to make a potentially profitable institution (with high motivation value) economically beneficial too. It is possible to distinguish the limits of values of SP_i within which we can confirm the effectiveness or ineffectiveness of social infrastructure management. The extreme values of boundary parameters are determined basing on the national experience in social institutions management:

$$\left\{ \begin{array}{l} 0 \leq SP_i < 0,2, \text{ unacceptable level of social potential} \\ 0,2 \leq SP_i < 0,4, \text{ low efficiency of social infrastructure management} \\ 0,4 \leq SP_i < 0,6, \text{ management of social infrastructure at the middle level} \\ SP_i \geq 0,6, \text{ highly effective management of social infrastructure} \end{array} \right. \cdot (3)$$

Thus, the proposed concept of social infrastructure of industrial enterprises management assumes developing new effective organizational economic mechanism, which presupposes distinguishing forms and methods of social infrastructure financing, planning mechanism of social enterprise development, mechanism of social infrastructure development, methodology for evaluating the impact of social infrastructure on enterprise economy.

Conclusions. The state is interested in saving and developing social infrastructure. Due to insufficient level of social institutions development the population is poorly provided with social services, social tension in society is increasing. Some companies attempt to compensate for negative effects from closing the existing social objects or refusal to implement new social policy for its employees. Thus, social policy should provide such cash income increase for staff that will be enough to pay for the enhanced cost of services provided by external social infrastructure objects.

There are a lot of unsolved problems related to social development management at industrial enterprises: social infrastructure effectiveness, development of management strategies for internal institutions of social infrastructure, studying the system of priorities in the management of social objects. So we have a list of scientific issues that should be resolved in the future.

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