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## Conception of Managing of Fuzzy-Institutional Meso-Level Organizational Separations in a Context of Product Projects Internationalization

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**Abstract:**

*The paper covers many conceptual design solutions related to the management of meso-level organizational separations operating in economy, which are institutionally fully or partly undetermined or fuzzy as a generalization (which are non-existent de jure, and take place in economy de facto).*

*They belong to a considerable variety of countries of their member enterprises and various operational areas. An important feature is that they are fully or partially (some of the members) dynamically and considerably belong to heterogeneous countries with different law, economic, information and engineering systems, including the level of advancement in post-industrial society.*

*It is proposed to determine a certain typological variety of such separations and to treat them as pseudo-corporation. Among such pseudo-corporations are enterprises, which are involved in product projects implementation as well as those, including the enterprises won of a number kind of contests.*

*As a result, management in objective product localization is transformed into a kind of an intercorporate one. It is suggested that for this type a conceptual scheme of technical and economical evaluation of in-house management solutions should be applied.*

**Keywords:** *internationalization of economics, meso-level separation, heterogeneous environment, institutional uncertainty, management, hierarchical system.*

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## **1. Introduction**

Management of present-day economy objects is critical to the achievement of the final financial and economic results. It is in many cases, including in present-day Russian reality, an unacceptably low level of development in all its basic aspects and needs urgent and fundamental improvement at all levels: micro-level (enterprises and their units-departments), meso-level (corporate structures, industries and regional groupings) and macro-level (economies of states, inter-state associations and the world economy), as well as the relevant sublevels.

In case the widespread management stereotypes are maintained, Russian economy does not stand a chance to have a well-deserved position in a post-industrial civilization and will not be able to meet the bare needs of the Russian society. The economy sees level as well as sublevel hierarchy of economic organizations. For instance:

- sub-sectors are distinguished within the sectors;
- sub-corporations may be distinguished within corporations (e.g., there can be holding and sub-holding structures, but they are not the subjects of legal relations in Russia at current era);
- within business units, as a rule, their component business units are distinguished of various hierarchy levels.

As a result, considering the abandoning a sector management style, in present-day Russian economy is implemented a management pattern of "corporation - sub-corporations of various institutional and hierarchical level - enterprise - various business units" type. Each hierarchical level is represented by an organization (or organizational separations), which is an active organization (here- managing as well as self-managing). In the context of economy globalization, it will be the only possible pattern.

## **2. Rationale**

Each of such organizations is a management object and/or management entity, with inter-level, hierarchy management inversion taking place at times, when a management entity of a lower level controls a management object of a higher level, though frequent legislative contradictions take place.

Although recently Russian economy following foreign economies has seen some groupings being self-formed, which are represented as something like corporate groupings, which are non-existent de-jure, but take place de-facto. It appears reasonable to mark them as pseudo-corporations. They thus have a fuzzy (uncertain) institutional status, i.e. uncertain legal status, and are controlled from inside and outside. All these pseudo-corporations can't be bodies- the subjects of legal relations, even though the corporations are to be institutionalized by, for example, the Russian legislation.

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Among such groupings the following un-institutionalized ones are considered legitimate subjects of legal relations:

- cooperation groupings which are formed by a certain enterprise and its affiliated companies - manufacturing and economic (Kanaschenkov, 2005), including as part of the widely-known pass-through contract;
- leasing groupings formed by deliverable links of the manufacturing enterprise, leasing company and operator company (Dmitriev and Gutkina, 2004);
- business (entrepreneurial) groupings formed by the members of the enterprise or a group of enterprises (Danilochkin, 2010);
- pooling groupings formed because the enterprises, members of a pool, as is often the case in the insurance industry or in the so-called financial-industrial groups as gated preferential communities. In some cases, there are situations of formal or actual pool formations to participate in grants or orders (Zakharova and Novikov, 2016);
- regional groupings, which include dislocated enterprises (Pilyugina, 2008; Dubovnik, 2009);
- special self-regulated groupings, which are often mistakenly referred to as self-regulated communities, and some others as well.

All these groupings are typical of:

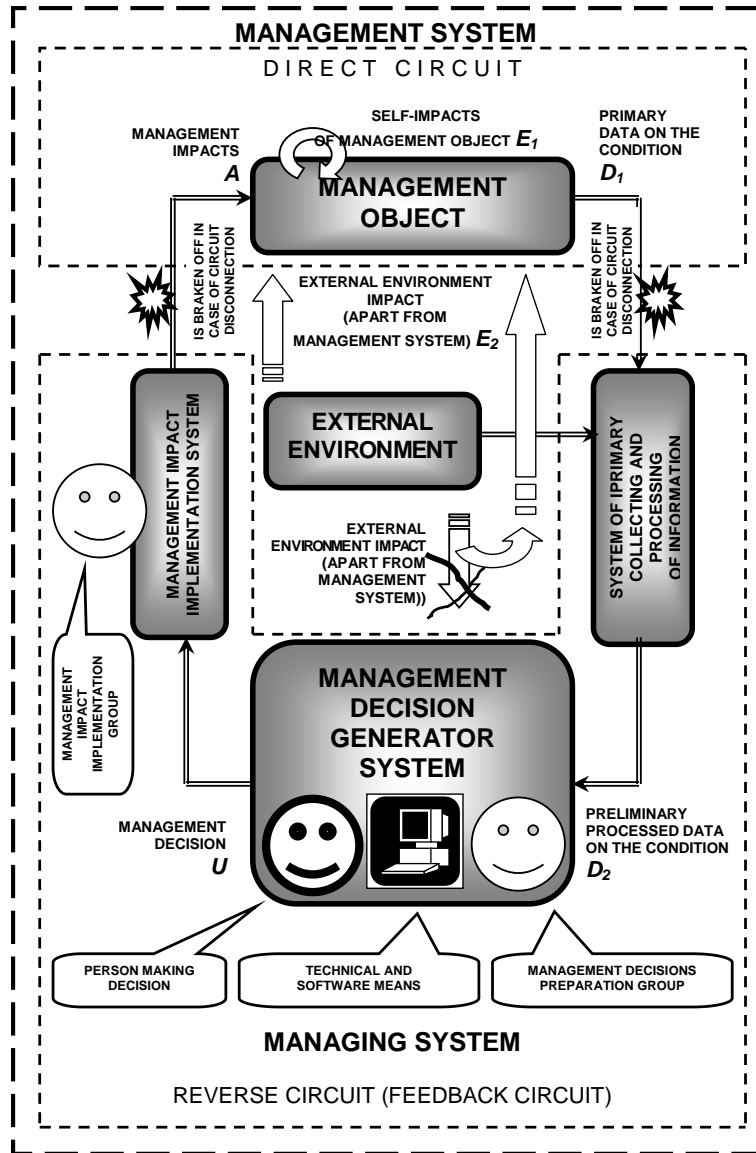
- Russian enterprises operating abroad;
- foreign enterprises operating in Russia.

A similar pattern is observed in most other countries. As a rule, these pseudo-corporations have contracts between the member enterprises, bilateral or multilateral. These pseudo-corporations are oriented towards the implementation of some of the product projects - even research or anticipating. It is understood that illegitimate groupings are not considered for it is a different area for present research. That is why they can be considered pseudo-corporations and meso-level formations. In some cases, these pseudo-corporations include members of different types as well as the so-called non-bodies (pseudo-bodies like business units type). We will set a basic hypothesis that all and other subject areas are characterized by stereotypical management approaches.

The main content of the currently implemented management activities is simply to implement the functions of planning and accounting, either as the need arises, or because of external conditionality (e.g., financial and statistical reporting). In some cases, there are regular decision support systems. In general, these systems are purely reference-based and do not predict the impact of management decisions. In already existing and forthcoming conditions, it is recommendable to focus on systems implementing the conceptual technical and economical scheme of management decisions argument. The relevant structuring of the management system is shown in Figure 1. It would be useful to move from the individual design

of the management systems to their group design, considering the inter-level and in-level management together.

**Figure 1.** Functional structure of the management system



The methodologically complete design of the management systems is presented as including the following problem components:

- common environment design is a principle character design of the environment of an in-organization and inter-organization management;
- structural and organizational design that provides a hierarchical topology

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of internal structural entities-including the definition of a hierarchical set of organizational separation, as well as the designation of functional areas of their managerial competence in terms of managerial rights and obligation restrictions;

- procedural design implying the formation of management procedures;
- assistive design.

In each case, either the design or the redesign of the management system is implemented. The above-mentioned considerations lead to the following three basic conclusions:

- it is important to carry out a conceptual and instrumental restructuring of management systems of the existing Russian organizations;
- it is advisable to carry out design of the management systems of re-established organizations in Russia based on new methodological and instrumental platforms;
- management systems should be developed and used in meso-level non-subjects - pseudo-corporations, as well.

The following should be the basic methodological requirements about the restructuring of the management area:

- total restructuring of all management systems - at all levels and in all areas;
- the urgency of the restructuring program;
- the combination of typification of the basic performance with the possibility of a linking considering the peculiarities of management system operation, adaptive-adjustment specifying of their basic version;
- exceptionally pragmatic relation to the functional management systems and innovations in this area. Their inefficient components should either be removed or replaced by the ones meeting the necessary requirements. The new components of the management systems should only appear if they improve the performance of the organizations or related entities, provided that the relevant results are of value to any operating system the interests of which are to be considered;
- the focus on a strict system integrator of a management environment (Dmitriev, 2005) and management processes implying cognitive definition and formalization of the problem with the consecutive decomposition according to the hierarchical decomposition of the management object.

Accordingly, it will be necessary to form a hierarchical decomposition of the management system (Mesarovich *et al.*, 1970), introduce appropriate indicators of the status and restrictions on them (thereby defining a management responsibility area) and regulate the composition and limitations of management decisions (thereby defining the management rights area). As a result, there should be a differentiation of the management competence areas corresponding to general and specific management tasks:

- ensuring the coordination of management for all interacting management

- systems- target, resource, activity, *etc.*;
- coordination of operation and development of organisational design systems, as well as administrative and technological management systems (technological process management system);
- restructuring as a permanent procedure;
- merging efforts in innovative projects - the efforts of subject-matter specialists and consultants and planners with the employees of the relevant management people the management systems of which are to be restructured;
- focus on the information sphere globalization with a possible confidentialization of its local areas;
- basing on accessible computation-communicational and common system platforms;
- giving special, including reputation and yield, priority to managerial work and to appropriate management professionals.

Accordingly, some methodological solutions should be adopted. Unfortunately, there is no complete prototype that could be used, even after the necessary adjustments, as a model management tool. Although there are some specialized projects of this kind (Dmitriev, 2008; Malko, 2008; Zuev, 2014).

Because of the proposed restructuring, a fundamentally new look at the management sphere of modern Russian organizational separations is expected, capable of supporting management in different contexts and integrating into the global business system, as well as fundamentally improving the situation in the micro-, meso- and macro-levels. For each organizational separation, there is a need and the possibility of creating a management system, with the self-organizing internal management system embedded in the object itself. We will lay down the requirements for the in-organization management system. The management system in question should, in the first place:

- reflect the goal orientation of the organization;
- consider the interests of the other operating parties and, first and foremost, the interests of those the condition of which largely depends on the management system condition;
- provide an acceptable management performance;
- considerably impact the management object condition;
- not be illegal;
- rely on the scientific basis;
- conform to the logic of the market structure of the economy.

### **3. Methods**

It is proposed to determine, for any two related levels of management, three consecutive, interdependent and time-bound management circuit modes, namely:

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- *Circuit 1* - the circuit for the formation of a common in-organizational structure of the organization's production and management activities. Within this circuit the common character of the in-organizational self-structuring is defined;

- *Circuit 2* - is the circuit of formation of the organizational framework. Within this circuit, based on the assignment in *Circuit 1* of the organization's internal scheme, the disciplinary regulations (order, administrative or policy procedure) of internal organizational streamlining, the in-house organization, are defined;

- *Circuit 3*- the circuit of the organizational and design adaptation of the organizational structure of the organization. Within this circuit, in the view of the rules established in *Circuit 2*, and eventually given the environment-wide limitations of *Circuit 2*, a specific organizational arrangement of the adaptation is proved and carried out.

In general terms, the organizational and economic ways for implementing the three management Circuits introduced. Within the *Circuit 1*, the nature of the enterprise's environment is subject to streamlining-particularly at managerial level. The simplest and most straightforward analogy of *Circuit 1* management from the macroeconomic and political sphere is the management of the organization's economic scheme. Thus, the transition from an administrative command to a market-based economy means changing the environment and the nature of the interaction of individuals, including organizations. Therefore, the management of *Circuit 1* implies the rationale and the development of the general nature of the internal environment of the organization. This circuit is the "slowest". Within the *Circuit 1*, a kind of organizational and economic "constitution" of the organization is being developed.

*Circuit 2* defines the structural, procedural, and parametric constraints that must be streamlined and considered when adapting the organizational structure to internal and external effects-including, for example, the conclusion of a new contract for the delivery of the organization's products. *Circuit 2* is functioning within the *Circuit 1* when it is somehow slowed down. At the same time, *Circuit 2* is oriented towards the development of organizational and economic "laws" of the organization, it implements a framework management in an organization.

Finally, the management operations within *Circuit 3* are aimed at creating or reforming a specific organizational structure where internal or external influences are a structure modifying factor. Because of the management within *Circuit 3*, for example, the project reengineering of the organization - an internal cooperating scheme is being created to carry out the process of manufacturing the product. That is, from the original unit basis of the block-modular organization the unit-based structure of the organization is created. The operation of *Circuit 3* takes place in the context of the external conditionality of the organization's "laws". It is certainly not possible to rely on these "laws" to be unchanged. This kind of consistency would, in effect, mean a control exception at *Circuit 2*. The adaptation of previously adopted and future management decisions within *Circuit 3* is required after new management decisions are made in *Circuit 2*. To ensure this adaptation, *Circuit 3* must be in

force. This may include a change in the management decisions previously taken in *Circuit 3*, as well as confirmation of the possibility or desirability of maintaining the previously established specific organizational order. Another scheme may be proposed - "legislative" innovations may not have retroactive effect, i.e. may not be applied to previous organizational arrangements, which recognize the laws in force at the time of the introduction of these organizational arrangements. In this case, the optimization of the management decisions in *Circuit 2* should consider the predetermined decisions within *Circuit 3*.

The internal organizational "constitution" and "laws" constitute the financial, economic and organizational internal law. The duplication of the word "internal" is not a typographical error, but implies that in-house regulations-including the compete regulations-may be appointed outside the organization. The current labour code of the Russian Federation, which has introduced and discipline the institution of workers internal secondary employment, is a good example of this type of external assignment.

The whole environmental and procedural design can be presented in all three selected control circuits. In fact, the whole environmental organizational design is mainly concentrated in *Circuit 1* and procedural (procedural-parametric) in *Circuit 2* and in *Circuit 3*.

Of course, in the management area which is under consideration there is also the exit to structural design. The limitation of the organizational structure of the organization mentioned above provides that there are a priori positioned or reserved "cells" under the structural units that manage the *Circuit 1*, *Circuit 2* and *Circuit 3*. In the simplest case, the management units that maintain them can be organizationally merged into one organizational unit. As a result, the organization's current organizational and economic structure is being formed.

There is side-effect, but in fact, a fundamental conclusion: the management of active interconnected systems should use very different management principles than those for passive, non-entity management entities. Essentially, for all the circuits introduced a conceptual management scheme should be chosen that would provide a feasibility study for management decisions.

However, optimizing the nature of the environmental internal competition is still only at the level of quality empirical analysis, and the operation of *Circuit 2* and *Circuit 3* is quite regulable. In this case, two stages of management can and should be implemented:

-at the first stage: synthesize the special economic environment, create a structure of economically objective actors or pseudo-actors, create cross-unit economic links between them and regulate the rules for the implementation of their financial and economic dynamics, that is, to realize the economic technology.



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Externally, this would mean the "immersion" of the structural components of the organization in a specially constructed, possibly artificially internal, economic environment;

- at the second stage: within the framework of the already defined rules of the economic mechanism, to implement the economic technology, to apply gradually the intellectual information management technology arsenal to an economically regulated facility.

There is no doubt that these two-step technologies can lead to productive results only if they are properly integrated and it should be the synthetic - economic and information management technology. The views expressed above on the problems, conceptual mechanisms and perspectives of the internal management and development of modern Russian commercial organizations lead to the unequivocal conclusion that a universal approach to the establishment and use of an organizational and economic environment of governance at all levels (from international to enterprise unit) should be introduced, and the key way this approach is implemented. This approach includes:

- the introduction of a mechanism of interpretation of the counterparty relationships of active and passive subsites of the management in the form of emulated organizational and economic environment for their joint operation and development with a natural or artificially established entrepreneurial character. This mechanism shall be consolidated, either based on the voluntary consent of the operating parties administering these subsites, because they are assigned to them by force and from the outside, by the operating party with administrative authority over the operating parties;

-managing of the management object, organized through the mechanism, using intelligent management technologies.

Thus, the primary and secondary management is in some way obtained. Both management ways are multiparty. Indeed, as appropriate, both the emulated organizational and economic environment of functioning and development and the management decisions within it can evolve. Accordingly, there are two levels or two categories of management decisions-first, the decisions that streamline of the internal environment, disciplining and interpreting it, and second, providing the implementation of measures and activities within it.

In the context of the formation of a mechanism, all activities can generally be interpreted as entrepreneurial, and active sub-objects may legitimately be considered along with the links between them as structural elements of some corporate association, corporate structure or, as in our case, pseudo-corporate structure. There is no doubt that such corporate structure or pseudo-corporation is a corporate structure of the general view (CSOGV)-see the introduction, for example, Kanashhenkov *et al.*, 2013, and implies more general interpretation than what has been made above. The proposed interpretation of the activity does not violate the

commonality of approach - through different formalization of the notion of profit/loss, the target motivation of all the operating parties can be represented through the prism of the traditional or conditional financial and economic result, which is the nature of the economic category. Accordingly, the concept of CSOGV products-along with products and services is becoming a product of universal content. In some cases, the compliance of its regulations by the parties is becoming a product. CSOGV's roles can also vary depending on for which level of management the organizational and economic control mechanism is formed, some of them may be excluded. However, regardless of the control level the role of CSOGV as a consumer of products for active sub-objects is essential.

Therefore, it is possible to implement the unification and to present the universal organizational and economic mechanism for the functioning and development of the organization, including the modern Russian commercial organization, as shown in Figure 2, and its parametric definition for the appropriate control level, enter as shown in Table 2.

The nature of the emulated environment for the international level is the result of international law and the existing enforcement mechanisms of the world community. At the same time, at the corporate level, coercive nature arises because of the action of subordinating mechanisms related to the use of participatory rights. The primary formation of the corporate management environment has long been investigated and a research line has evolved, which is referred to as organizational design, where the signs of the theory can be found. Therefore, one can conceptually and correctly type basic management builds for pseudo-corporations.

#### **4. Conclusions**

Based on the results obtained, the following observations, conclusions and recommendations are defined:

- globalization (or internationalization) of the economy leads to the emergence of institutionally uncertain (fuzzy) groups of corporate entities that are heavily oriented towards the implementation of projects, also with the help of competitive procedures;

- the structure of these groups is generally dynamic, and the groupings may have a hierarchical structure;

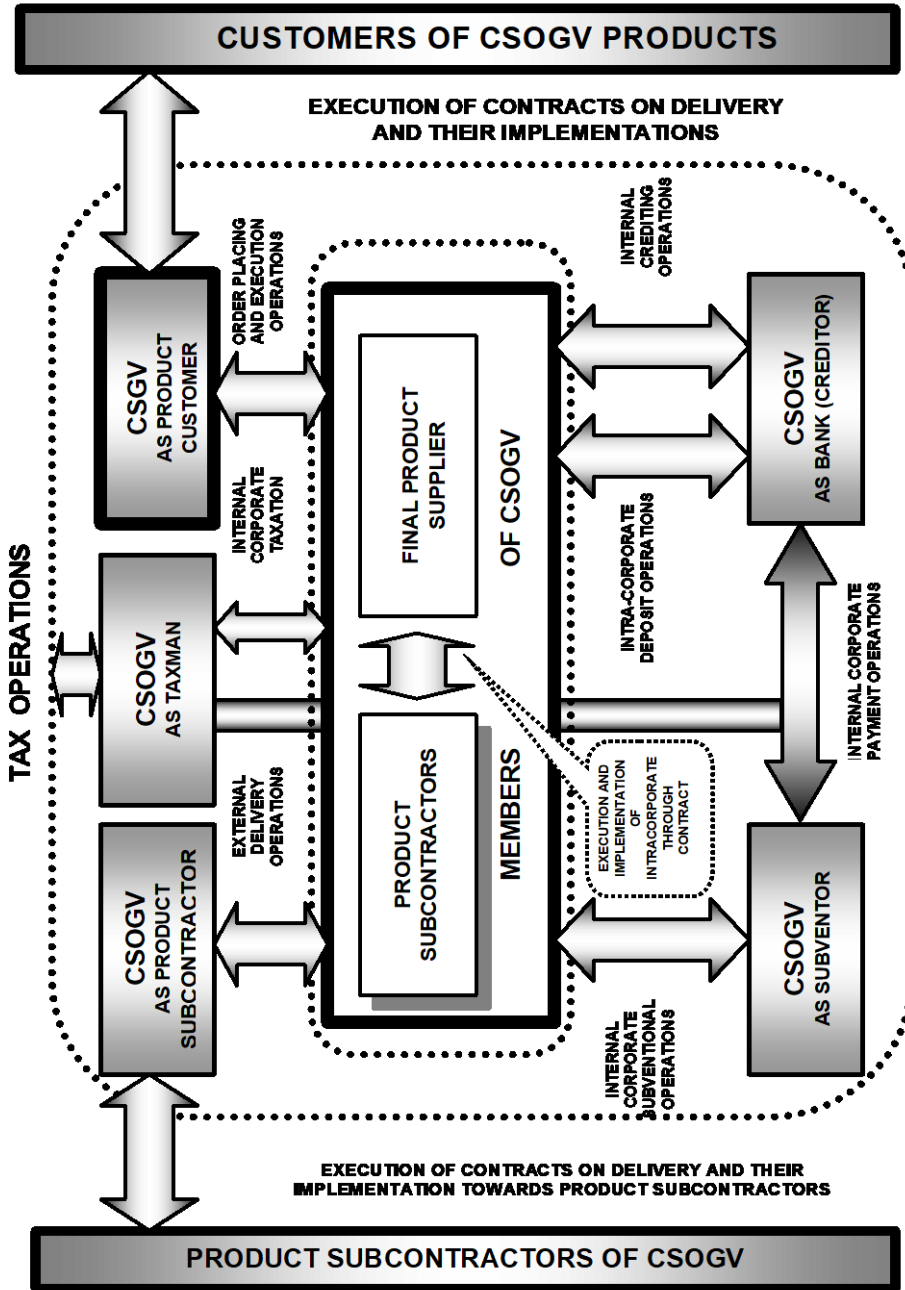
- these groups are not persons;

- these groups should be well managed externally and governed, despite the illusion that there is no relationship of managerial dominance and pseudo-anarchy;

- in ensuring that they are properly managed effectively, it is appropriate to interpret them as internally functionally and topologically typed pseudo-corporation that exercise self-governance;

- this self-governance should be based on a feasibility study on management decision.

Figure 2. Structure of the emulated universal organizational-economic environment for corporate structure of the general view



**Table 1.** Parametric definition of the organizational and economic environment for management levels

<b>The level of management</b>	<b>The character of CSOGV members</b>	<b>Formally defining interpretation of the CSOGV members</b>	<b>The character of emulated organizational and economic environment's role</b>
International	* Subjects of international law (states) * Inter-state bodies	Pseudo-states	Voluntary-forced
State	* The federal government bodies * The government bodies of the federation entities * Corporate entities * Natural entities	Pseudo-organizations	Forced
Regional	* Government bodies of the federal entities * Corporate entities * Natural entities * Municipal governments	Pseudo-organizations	Forced
Corporate (Internal corporate)	* Corporate Substructures * Enterprises (corporate entities)	Pseudo-organizations Organizations	Voluntary-forced
Intra-firm	* Structural subdivisions of various hierarchical levels * Natural entities	Units (pseudo-units)	Forced
Intra-unit	* Structural subdivisions of various hierarchical levels * Natural entities	Units Pseudo-units	Forced
Undefined (for pseudo-corporations)	Corporate entities	Undefined or nonexistent	Voluntary-forced

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