

## The Formation of the Corporate Structures Development Strategy Based on the Quality Management Methods

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### Abstract

The purpose of this article is to improve the management efficiency of the large industrial associations with high concentration of the capitals (corporations) under conditions of the highly turbulent Russian economy. The article submitted defines the content of the corporate structures development strategy on the basis of the quality management methods. The fundamental of the submitted work is the methodological approach considering the agent conflict and the dynamics of the agent expenses in corporate structures. The article provides practical recommendations for developing an effective corporate management system within the enterprises of the Russian economy real sector. The article is intended for the chiefs of the enterprises, top managers, the researchers dealing with the issues of corporate structures strategic planning.

**Keywords:** corporate structures, strategy development, quality management methods, agent conflict

### 1. Introduction

The contemporary situation in Russian economy is characterized by the lack of stability in the economic, legal and social relations. The distortion of the institutional environment has violated the forces placement, and, therefore, shifted the development trajectory, distorted functioning and provided the stakeholders' conflict. The existing distorted production structure and reproduction model of the Russian economy, as well as weak industrial competitiveness impose significant obstacles for the country sustained economic growth with high economic dynamics (David & Olorunfemi, 2010; Lapigin et al., 2005).

The objectives of the large industrial associations are the stabilization and business solvency growth while determining the mechanisms of the strategy development and the arrangements of the entities' effective interaction (Fathutdinov, 2008; Ansoff, 2009; Gurbuz & Aybars, 2010).

The concentration of the industrial structures allows to significantly influence not only a certain economic sector or a region, but also a country and the world development on the whole, providing certain stability, schedule ability, adjustability and prognosticability of the market economy (Porter, 1993). The modern post-industrial economy which has chosen an innovative way of development cannot rely on unregulated market management. In this aspect the corporate associations play a meso- and macroeconomic role in terms of projects implementation and formal and informal agreements of the voluntary economic entities.

The analysis of the domestic enterprises management system shows that despite keen interest to the quality management methods of the particular economic agents which can be observed in ISO standards implementation and production quality control system, business community feels lack of necessary knowledge and experience in drafting and implementation of the effective development system that is based on the quality management tools (Gumerov et al., 2013). To our reckoning, the concurrence of the common and strategic management principles

will provide solutions connected with the increasing efficiency of the production management, employees motivation, increasing quality overall production, serving stakeholders' interest at most (the hypothesis of the research).

In this regard it seems appropriate to apply to the quality management tools which efficiency has already been confirmed by domestic and foreign practices (Testa et al., 2014; Deming, 2011; Glishev, 2009; Gorbashko, 2008; Gugelev, 2007). That particularly concerns acquiring the long-term competitive advantages by the economic entities.

## 2. Materials and Methods

The broad idea of the experiment was to develop a tool to identify corporate structures ( as there is no legal definition in the Russian Federation), methodological grounding for the total quality control implementation into the strategic planning of the corporate entity, the development of the tools and system of the strategic planning basing on the quality management methods.

The objective of the experiment at the initial stage was to determine the current corporate structure state in the domestic economy conditions, the evaluation of the industrial entity scale within the region and the country.

The present research refers to the joint-stock companies and the large companies as to the corporate associations due to the lack of a legal definition. In modern conditions the corporations despite comparatively small share of the total amount of the enterprises determine the level of the economic development. The development volatility of the corporate associations caused by unstable property problem significantly reduces appeal of the corporations to investors, thus decreasing possibilities of the region economic growth; moreover the domestic corporations attempt to be registered in the favorable regions thus reducing tax payment with minimal consideration of the regional interests and practical absence of the executive regional controls. The influence of the corporate industrial associations on the region has both positive (pricing policy regulation, providing savings mobility of the region population, generation of the own investments and financial markets, population employment, educational organizations development) and negative character (direct influence of the economic volatility, violation of the commercial entities equity, industrial-ecological disturbances, necessity of the corporate and regional coordination within regional economic system).

The analysis of the regional budget dependence classification that applies to the corporation activity shows that under current conditions the corporations with a moderate share in a total number of the enterprises determine the level of the regional economic growth. Structuring corporate associations and their business functioning in the territorial entities of the Russian Federation provide the region yield and development. These provisions are resulted from the research of the rating of the integration processes influence on large business entities at the points "social and economic infrastructure", "economy development", "social indicators" through the system of the corporation performance indicators and macroeconomic parameters of the region development. The corporate business allocation in every region allows to define potential opportunities, limitations and expectations from the corporate property in the development of the regional economy system. It also relates to the priorities of the social and economic development of the country on the whole that makes the starting point of the strategy development trajectory of an industrial corporation as a business structure.

The second stage of the experiment is aimed at the implementation of the "total quality management" theory TQM, where the key parameter becomes the improvement of the product quality, but not from the point of survival in competitive environment but from the point of the organizational development, organization improvement on the whole.

The second stage of the experiment is founded on the "total quality" TQM ideology where the quality improvement becomes the key parameter, but not in relation to the quality management but to strategic organizational development (Azgaldov & Azgaldova, 1971; Juran, 1992; Crosby, 2004).

The researcher offers using the hoshin kanri system (or hoshin planning) that provides the projection over the consequences of any activity influencing the company thus allowing to focus on common long-term goals achievement (Ishikawa, 1988; Okrepilov, 2000; Lapidus, 2002).

The foundation of the hoshin-strategy is provided with several objectively identified strategic problems of corporate management (the finance problem, outlet, stakeholders' congruence of interests, operation and production quality) the solution of which is performed through concentrated efforts of all corporation branches.

The concluding stage of the experiment is connected with the practical problem of the quality management methods implementation into the strategic planning of the corporate entity, setting series of restrictions and possible extreme points which are crucial for the proposed development strategy (Blagodarov, 2009). The

specified classification has allowed to identify the following quality assurance systems for strategic planning in industrial corporations: Total Quality Management concept – TQM; the international quality specification ISO 9000 and OHSAS 18001:2007, ISO 14000, SA 8000:2001 providing the basis for the integrated quality management system of the industrial corporation; Design for Six Sigma; the statistic methods of the product quality control; the technology of the roadmap development and Balanced Scorecard System to provide the strategic planning process with information support. The introduction of the monitoring system of the strategic planning indexes integrated with the quality management system indexes will provide continuous improvement of the processes and projects of the development strategy.

It is concluded that the submitted mechanism is an open system capable to be supplemented and developed along with the strategy implementation. Monitoring of the indicators provide continuous improvement of the processes and projections of the development strategy.

The strategy visualization helps to understand the functions of every owner and performer of the process, demonstrates the activity line from goal setting to the result, correlates the processes to achieve strategy objectives. All kinds of the roadmaps are the tools of the strategy management as the level of achievement of the assigned strategy objectives is determined within the Balanced Scorecard system integrated with the terms of the quality management system (Adler, 2001; Ryazancev, 2009). In the aggregate, the system structured in this way provides activity transparency, determining the strategy implementation on the whole and differentiating every production cycle in particular. Moreover the strategy roadmap is an additional method to allow information openness thus providing stakeholders with exact company goals awareness.

### 3. Results and Discussions

The experiment shows that subject to the region order (acceptor, intra-absorb, extra-absorb) corporate entities show various roles and functions, intensifying agents conflict. The region of the Republic of Tatarstan in question refers to the intra-absorb type (advantageous geostrategy location, raw material base, industrial complexes, resource extraction, innovation potential). The research has revealed the corporate entities significantly influencing macroeconomic parameters of the region development, its investment potential and innovation activity through the system of activity indicators.

Modern tendencies of the corporate development accept the growing awareness of the stakeholders importance – interested agent groups that provide or feel effect of the organization activity, its products, services and processes while searching for the development trajectory. In this regard there is a steadfast stance – interaction with the stakeholders becomes a necessary element of the steady growth and viability of the industrial corporation as a business entity. The presented paradigm of the corporate strategy development establishes the basis for the financial and nonfinancial stakeholders' interests in financial, intellectual and social capital coordination area and determination of the implementation methods to achieve corporation-demanded positive synergetic effect in the light of inevitable conflict of interests and the authority levels over the corporation performance.

The author maintains the position that the integrator of all the stakeholders' interests of the industrial corporation while resolving the conflict becomes the characteristic “total quality management” as the basis and objective of the strategy management, the method to achieve competitive advantages, an opportunity for steady growth which allows to define the tolerance area and provides reasonable balance of interests and compromise (Figure 1).

The most important particularity of the Total Quality Management theory TQM is that strategic quality planning of all the processes is carried out inseparably from general strategy plans – the performance aimed at steady market position which can be achieved with a due regard to strategic focusing on the quality of the end product and the management system on the whole. The strategic planning of the industrial corporation quality performance as a method of stakeholders' balance applies to all aspects of the corporation operations and determines priority problems, objectives and ways of achievement as a consistent headline.

The research proposes economic organizational mechanism of strategic planning of the corporate entity as a business structure. Large domestic industrial enterprises are to solve important issues: to increase competitive advantage, maximize investment potential and transfer to the innovative development path, achieve high and steady economic growth rate. The solution of the problems presupposes transition to the totally new management level that is characterized by the strategic mode of solutions, validity, consistency and performance efficiency. The authors submit the concept of the strategic planning balanced scorecard integration and the indexes of the quality management process at the project level in the field of market development, finance regulation, stakeholders' congruence of interests, processes and services quality achievement.



{PR1,PR2,...PRn}, indicators of scientific and technological development D {D1,D2,...,Dn}, indicators of quality management Q {Q1,Q2,...Qn}, and according to practical recommendations (Kaplan and Norton, 2005; Gershun and Gorsky, 2006; Vishnjakov and Lamonov, 2005) the number of these indicators should be both necessary and sufficient to reflect the projection productivity (the total number of balanced scorecard - 30, the projections number - 5-6). The vertical binding demonstrates the direction of indicators formation. The horizontal binding - the formation of the integral projection index, specified within exact direction in terms of the index share in the projection aggregate index, that is an integral component I of any projection is the sum of the ranks product and indicators it is formed of.

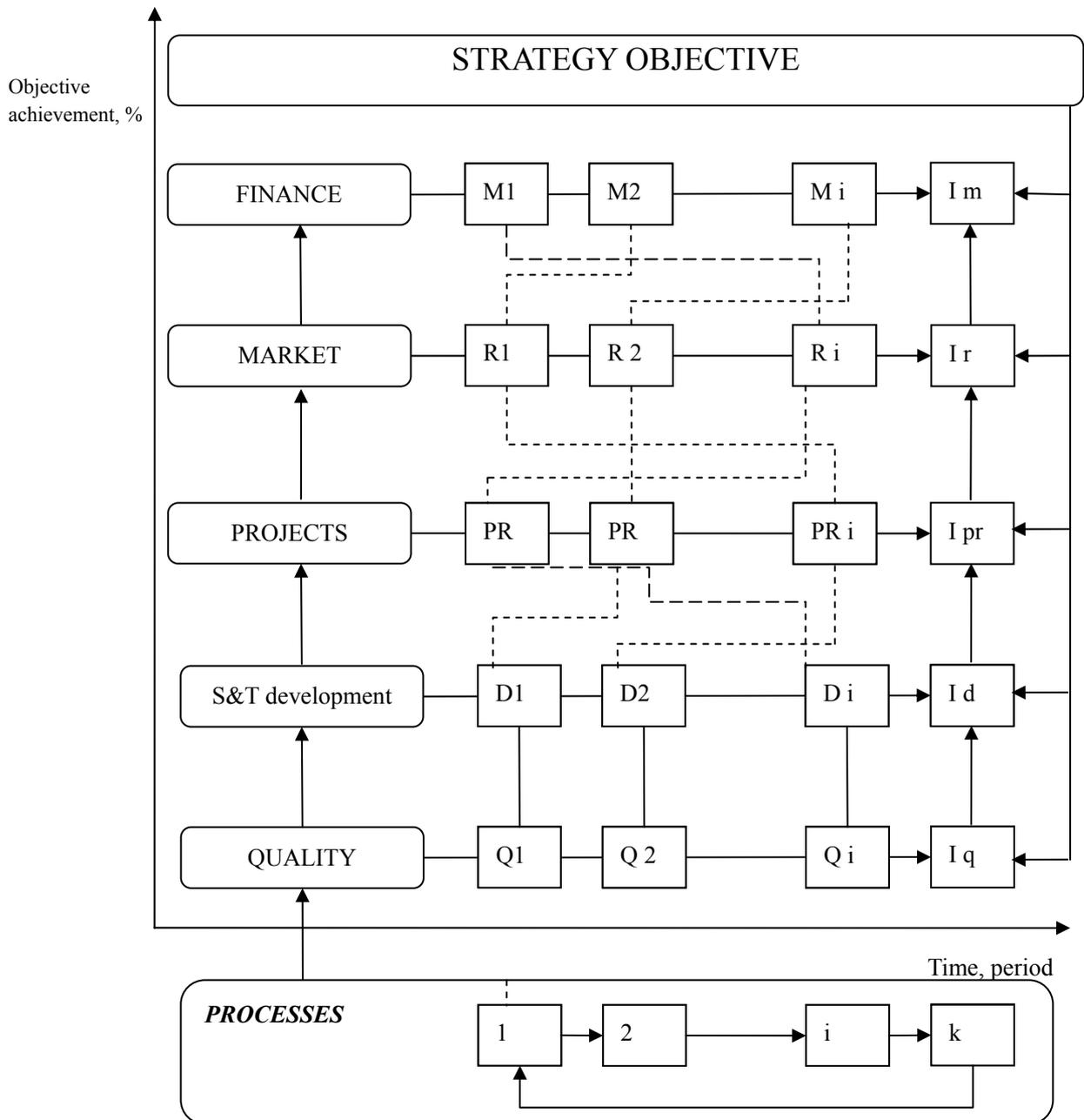


Figure 2. Corporate roadmap structure

In every of the chosen projects there are the processes that provide the corporation functioning and participate in the process of the quality management system: management, basic processes (life cycle processes) – supply, manufacture, sales, development processes and estimation, analysis and improvement processes.

The integrated indicators show the level of projection development on the whole, while these parameters can be estimated within all the strategy plan projections at a certain time period and compared to the planned values when each development cycle approaches to achieve targeted results. Such an interpretation allows to project the corporate mission over all of its levels and processes.

#### 4. Conclusions

Therefore, during the research the author has made the identification characteristics systemized (goal-setting, legal status, centralized management through complex structuring of the legislative and executive entities, property values and the rights of subjects, charges of the corporation founders, company duties, a taxation type, statutory filing) and the main peculiarities of the Russian model of the corporate entities (variable rules of the market relations; nontransparent results of enterprises assets privatization, the high concentration of the shares, the formation of an oligarchy; dominating control over the banks, a significant proportion of affiliated persons in the ownership structure, the formation of corporate associations significantly influencing the economic processes of the country).

The research shows that the resolution of the agent conflict promotes quality management tools use in the strategy development of the industrial corporations as business structures. That ensures the coordination of interests of financial and non-financial stakeholders in the coordination area of the financial, intellectual and social capital.

The author proposes a variant of the corporate roadmap as the basis for a strategy plan implemented by the corporation in the scheduled period, which binds corporate constituents, functions and processes to perform the tasks to facilitate appropriate management solutions that control indicators of the strategy directions implementation.

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