

The Ministry of Health of Ukraine  
National University of Pharmacy

# **MANAGEMENT AND MARKETING IN PHARMACY**

Textbook for Foreign Students  
of Higher Pharmaceutical Schools

In two parts

Part I

**Management in Pharmacy**

Edited by Professor Z. Mnushko

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The basic theoretical principles of management and administration features, business and communication activities, personnel management, domestic and foreign labour laws in pharmacy are presented. Principles of pharmaceutical ethics, communication with clients of pharmacies, approaches and criteria for evaluating the effectiveness of pharmaceutical organizations have been described.

The textbook is recommended for foreign students of higher pharmaceutical schools.

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## INTRODUCTION

With the formation of market relations there are major changes and diversification of objectives, principles and methods for managing pharmaceutical organizations. Enterprises that are reforming their management systems provide a strong competitive position and opportunities for further effective development. Managers have incentives to successful and efficient use of all resources - material, financial, human, information, etc., to reorganize the management of enterprises and associations. Application of modern instruments for coordination and regulation contributes to the organization work as a single system and focus on achieving strategic goals. In this regard, there are prerequisites for wide practical application of the management theory. Becomes important to use modern approaches to planning of the company or association, create effective modern organizational structures, improve technological processes, increase productivity. To increase the efficiency of production, trade and management one needs the active involvement of the staff in goal setting, discussion and decision-making, in shaping a positive image of the organization. In other words, the importance of human resources, personnel management, the role of human factor in the development and efficiency of an enterprise or institution increase. Hence, the need for a flexible system of incentives for the staff. At the same time the modern efficient organization of control, identification and evaluation of a business entity remains significant.

Despite the universality of the management fundamentals for the specific sectors of the economy, there are some features of their application, which explain specific the need to adapt the general theory to pharmacy practice.

The textbook considers the basic components of management: theoretical foundations, methods and styles of management, characteristics of the organization as an object of management, communication, functions of management, decision making, human resource management, conflict and stress, business ethics, the effectiveness of the organization and management efficiency.

In addition with the classic management regulations are such issues, which are important for professional pharmacy practice, as management and entrepreneurship, business plan development, management and information technology, labour law in Ukraine and abroad are given. Almost

every section of the textbook contains information about the state or development of managerial positions in pharmacy, the examples of activities of pharmacies and pharmaceutical companies are presented .

The current management hierarchy of pharmacy, directions of the effectiveness of pharmaceutical companies, functions and organization of work of the manager of pharmacy, the application of computers in medicine and pharmacy, especially in the pharmaceutical business, as well as pharmaceutical ethics and deontology have been described. The criteria and indicators (including financial and economic) for evaluation of success of a pharmaceutical organization have found the practical application. The components and approaches to determining the management efficiency have been shown. Many of the theoretical concepts have been illustrated with the examples, the results of scientific research in the field of pharmacy.

In the each chapter of textbook questions and tests for self-control are suggested.

# CHAPTER 1

## THEORETICAL BASIS OF MANAGEMENT

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This chapter includes a description of historical aspects of development of the management theory, formation of management as a socio-economic theory, characterization of the process and levels of management on the basis of general scientific approaches and directly in the pharmaceutical industry. It provides information on existing and emerging forms of organization of pharmaceutical service control, modern market economy and governance structures. The comparative analysis of international management proposed has the cognitive and applied value.

### 1.1. THE MEANING AND CONCEPT OF MANAGEMENT. THE EVOLUTION OF THE MANAGEMENT THEORY

The development of market relations depends on the activities of the pharmaceutical companies. Organizations are working in conditions of uncertainty, competition, risk, complexity of managerial decision-making, etc. As a consequence, managerial responsibility for business outcomes, objectives, profit, intensive competitiveness increase. A manager should be efficient, independent and have a responsibility in providing the organization of financial, material, labour, and information resources. On the manager's knowledge and skills depends the size and timeliness of salary, the personnel's opportunity to participate in the enterprise management, creation of conditions for solving current problems by an employee himself. A leader contributes to the creation of the management team, the formation of effective business communication and collaboration in the team.

Management is important not only for the head, but for each employee as well. It gives knowledge of the teamwork principles, collaboration and business communication, record keeping, settlement of conflicts, fundamentals of labour law, etc.

**Management** – is a complex of principles, methods, means and forms of administration for business organizations to improve their efficiency and increase profits in market conditions.



For management in a market economy the methods and tools of the research of customers` needs and demands are very important. Here, management is in contact with marketing. Marketing is considered as an integrative function of management transforming the customer needs into profits of the enterprise.

The term "management" comes from the Latin word "manuagere", which is translated as "to work with the hands." The fundamental Oxford English Dictionary gives the following interpretations of the term "management":

- the method and manner of communication with people;
- the power and the art of administration;
- a special kind of skill (management skills);
- administrative unit (authority).

Management is subdivided into production management; financial management; personnel management; innovation management; marketing.

**A manager** is the head (primarily a hired manager), who works in the economic, industrial and market area having the professional knowledge in organizing and managing production. A manager organizes specific activities of his subordinate employees and at the same time he executes a lot of administrative functions. A manager in the organization executes interpersonal, informational roles, as well as, the roles associated with the management decisions making.

As a rule, the terms "businessman", "entrepreneur" are often used.

Business is the economic activity giving a profit. **A businessman** is a leader, possessing imitativeness, capacity for a risk, responsibility and self-sacrifice in behalf of business, by orientation on efficiency and quality, purposefulness, aspiring to being informed. **A businessman** is a man, who has his own profitable business.

**An entrepreneur** is an owner or a manager of a business enterprise who makes money through risk and initiative.

Management as a socio-economic doctrine emerged in the late nineteenth century. In 1881 the American, Joseph Wharton developed the first systematic course of management for teaching at the college. However, the beginning of the recognition of management science has traditionally been considered in 1911, when the book by the American engineer Frederick Taylor's "Principles of Scientific Management" was published.

Fredrick Taylor rested his philosophy on four basic principles.

1. The development of a true science of management so that the best method for performing each task could be determined.
2. The Scientific selection of workers so that each workers would be given responsibility for the task for which he or she was best suited.
3. The scientific education and development of workers.
4. Intimate friendly cooperation between management and labour.

The next step in the development of management associated with the school administration – the founder is the French engineer Henri Fayol.

The third breakthrough in management thinking is characterized by the emergence of **school of "human relations"** (1930-1950). The American psychologist and sociologist Elton Mayo announced that the productivity of human labour in the long run was determined by a human psychology. Later, this approach was continued by development of the theory of organizations as social systems, but in nature it was nothing like the use of the achievements of psychology and sociology – the science of human behaviour in management.

New breakthrough in management thinking since the 50s of the twentieth century was the development of quantitative methods for decision substantiation as a result of the application of mathematics and computers.

At the turn of the 70s of the twentieth century the turning point in the management theory became clearly set the idea that the organization was an open system that adapted to its internal and external environment. At that time there was the intensive search for relationships between the types of environments and different forms of management.

The next decade was the opening of the term of "organization culture" as a powerful management tool used the most effectively in Japan.

There are three major trends in the management theory in the 90s of the twentieth century. The first is connected with the return to the past – awareness of the material-technical base significance of the modern manufacture and services. Parallel to this, there is a second trend concerning the social and behavioural aspects, namely the focus on various forms of democratic management, the participation of ordinary workers in the implementation of managerial functions in the property. Finally, the third feature of management of that period is intensification of the international character of management.

Following the transition of the most countries to an open economy, a sharp increase of the role of international competition, and at the same time, production cooperation, development of transnational corporations and internationalization of management many new problems of the management theory and practice appear.

The key elements of the modern system of views on management are:

- refusal of managerial rationalism of classical schools of management and the prevalence of problems of flexibility and adaptability (adjustment) to the constant changes in the environment;
- the use in management of the systems theory that allows us to consider the organization as the integrity of its constituent parts inextricably linked with the environment;
- the use of the situational approach to management;
- recognition of the social responsibility of management both for society as a whole, and for employees of the organization.

## **1.2. FEATURES MANAGEMENT IN PHARMACY**

Management in the pharmacy has its own specific features due to the complexity, multidimensionality, socio-economic nature of the industry. Here you can talk about management in the broadest sense: managing the search, development and creation, research, production, standardization, storage and sale of drugs. In addition to drugs, the subject of pharmaceuticals and pharmaceutical companies are also biological supplements (para-, nutraceuticals, eubiotics), medical products, baby food, perfumes, cosmetics, personal diagnostic devices, health products, hygiene tools, mineral water, etc.

The feature of management of pharmaceutical companies is combining the functions of drug supply with the scientific, industrial, control, analytical, commercial, medical, information functions.

In the pharmaceutical companies methods of trading management, coupled with the knowledge of organizational and legal issues of pharmacies, technology, medicine, pharmaceutical analysis and control, pharmacology, pharmacotherapy, pharmaceutical care, pharmaceutical ethics and deontology, psychology, etc. are widely used. It is important to the implementation of medicines and other goods, involving direct contact with consumers. Peculiarities of the contingent of visitors of pharmacies should be emphasized.

This, as a rule, patients or their relatives, disabled, pensioners, requiring careful, correct attitude. The work of a pharmacist requires professional knowledge, creativity, and its effectiveness is largely determined by personal characteristics, the level of advisory services, knowledge of the psychology of sales.

Pharmacies are the final link in the chain of goods movement of pharmaceutical products. It defines such management tasks as formation of market information, demand for drugs and other pharmaceutical products assortment of the consumer preferences. With increasing competition among pharmacies organizational forms, attracting customers, expanding value-added services, contacts with medical and other organizations, consumers, create and preserve the image of the pharmacy become very important.

The specificity of pharmacy management is due to the socio-psychological characteristics of female-dominated groups, hence, there are problems of organizational and interpersonal communication, improvement of their effectiveness, conflict resolution. For the purpose of staff development today become increasingly important, along with the planned training courses, participating in or conducting training sessions, topical workshops.

### **1.3. APPROACHES TO MANAGEMENT. THE MANAGEMENT PROCESS**

There are four major approaches to management: schools of management, process, system, and situational (contingency).

The history of the management theory shows that in the XXth century four distinct schools of management were formed and developed. Chronologically, they can be represented in the following order: the school of scientific management, administrative school, school of psychology and human relations school of management science or quantitative school.

The founder of the scientific management school was F. Taylor. The essence of this direction is to analyze the content of labour operations, and their constituent components, standardization of time per operation, selection of workers and their training. An important contribution of the management theory was the position of the labour promotion, the dependency between the volume of production output and wages. Another important merit of the school of scientific management was the question of separation of administrative functions to make decisions.

The origin of the management administration school associated with the name of Henri Fayol – a French engineer. The aim of this school was the creation of the universal principles of management. These principles are focused on two main areas: development of a rational system of management in the organization, building of the organization structure and employees management. Exploring the functional aspect of management, H. Fayol identified foresight and ability to organize, good management, coordination and control as business functions. The particular importance has planning. Each firm must have a business plan based on its resources, technical, commercial and financial conditions.

Adherents of the psychology and human relations school (neoclassical school) were Mary Parker Follett and Elton Mayo who believed that if the top-management takes great care of its employees, the level of employee satisfaction should increase and this should help to increase productivity. They recommended to use management methods of human relationships, including effective actions of supervisors, consultation with employees and providing them greater opportunities to communicate at work.

In the 50th of the twentieth century due to the development of psychology and sociology the School of Behavioural Sciences began to be formed, prominent representatives of which were Chris Argyris, Rensis Likert, Douglas McGregor, Frederick Herzberg and others. These and other researchers studied various aspects of social interaction, motivation, the nature of power and authority, communication in organizations, leadership, etc. Most of these theories will be described in the relevant chapters of the textbook.

The main feature of the school of management science or quantitative school is to replace the verbal reasoning and descriptive analysis by patterns, symbols with quantitative values. The essence of this approach is to develop mathematical models of various management situations, identify internal relationships, which provide the optimal solution of the problems appeared. A significant role in the development of the school had the appearance of computers and wide application of cybernetics.

So, all schools of management focused on how to improve management of enterprises, firms under the market conditions.

**The process approach** considers management as a process, that is, continuous series of interrelated steps: ordering, matching, co-ordination of someone's actions. Actions are a work, and work is the function. Each function is performed in accordance with certain rules, principles, regula-

tions. Therefore, to manage efficiently it is first necessary to know the functions of management. In all, there are two groups of management functions: general and specific.

In the process approach there are four basic functions of management: planning, organization, motivation and control, they are interconnected and form the **cycle of management** (Fig. 1.1).

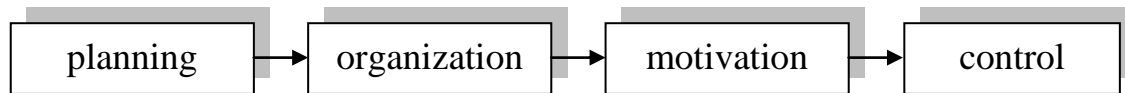


Figure 1.1 – The cycle of management

Using management functions in practice can be analyzed on the example of pharmaceutical enterprise departments. Typically, the name of a department corresponds to specific functions (planning and finance department, marketing and logistics, information, etc.). At the same time all departments solve their tasks by the general management functions: planning, organization, motivation and control.

**The system approach** considers an organization as an open system consisting of several interconnected subsystems. According to this approach, the effectiveness of the organization depends on how the internal and external environment influence on the management function and the result for the organization. The head should take into account the impact of environment on the organization and its impact on the environment. However, the system approach is not a set of recommendations or guidelines for a manager. This way of thinking in relation to the organization and management.

The essence of **the situational approach** is that although the general management process is the same, the specific measures the manager should be achieve the goals of the organization effectively may vary considerably depending on the particular situation. The situational approach is closely connected with the system, but unlike the latter, makes it possible to determine what the most important variables of the situation are and how they affect the efficiency of the organization.

The management process requires a managed object and subject. This means that any organization is the unity of the two subsystems of control: the controlled and the controlling ones. In both cases, the relationship between managed and control subsystems is the relationship between people.

**The object of management** is a separate department or organization as a whole, which is directed to the control action. **The subject of management** is a management body or a person performing the control action.

Implementation of the management process requires:

- a) the availability of the system (organization);
- b) setting goals;
- c) modelling of the desired system state;
- d) a strict keeping to the impact process on the system in accordance with the objectives.

#### **1.4. LEVELS OF MANAGEMENT. MANAGEMENT OF THE PHARMACEUTICAL SYSTEM AT PRESENT**

The fundamental feature of every organization is division of labour into it. There are two types of division: horizontal and vertical. The horizontal division of labour involves differentiation of the labour process, which leads to the formation of organizational departments. The vertical division of labour is used to differentiate between administrative work in coordinating all activities of the organization to be taken to achieve its objectives. This vertical division of labour of leaders forms the levels of management. The main elements of the management structure are the links (horizontal) and the levels (vertical). The link management is an independent administrative body, directly reporting to line managers. The stage (level) control is a certain level of the management hierarchy with one or more line managers and functional departments (Fig. 1.2).

Managers at the technical level are mainly engaged in daily operations and activities necessary to achieve the main objectives of the organization.

Managers of the administrative level, as a rule, coordinate all activities of various organization departments. Middle managers are mostly a buffer between the top and lower levels. They prepare the information for decisions making by top management, and pass these decisions, usually after their transformation into a technological convenient form, in the form of specific assignments to lower managers. The main work of middle managers is communication with managers of the lower level, it comprises about 80% of the time.

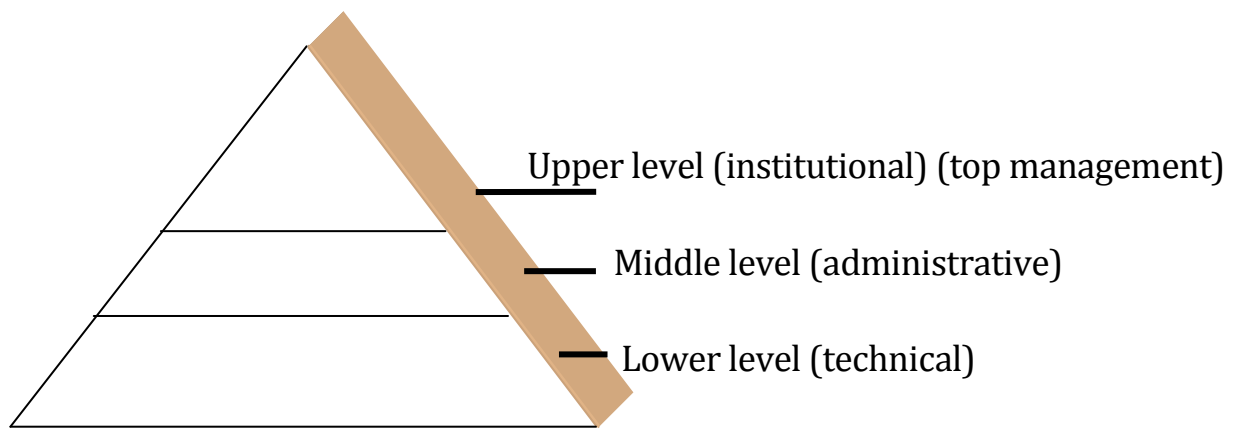


Figure 1.2 – The levels of management

The leaders of the institutional level are employed in development of long-term plans, formulation of objectives, management relationships between the organization and the external environment.

Current approaches to management, in particular, the system one, consider the organization as an open system, the main prerequisites for the success of which are found not inside, but outside of it. Traditionally, pharmaceutical service is seen as an integral part of the health system.

There are national, territorial and corporate managements of the pharmacy system. The national pharmacy system is based on the pharmacy public policy, coordination, monitoring and supervision of the observance of all the pharmaceutical organizations as economic entities, as well as regulatory and local authorities, existing laws and regulations. The means of the national regulatory impact on the activity of economic entities in the pharmaceutical industry are public order, licensing, patenting, quotas, certification and standardization, the use of standards and limits, price controls and tariffs, tax, subsidies, compensation.

The territorial management of the pharmaceutical service is carried out in different regions by the structures of different types: the pharmaceutical divisions at the state regional administration board or the departments of Public health, the regional municipal companies, public companies, regional industrial associations, holding companies, corporations, etc.

Management of pharmaceutical enterprises at the territorial level is also carried out in the form of control by the regional state authorities and local self-government compliance regulations.



### 1.5. FOREIGN MECHANISMS OF MANAGEMENT

The management system is a reflection of objectively existing requirements of the external environment and the functional purpose of the control object. There are two foreign management systems: Japanese and American, which have significant differences, but at the same time they are both rather effective. Elements of management systems are combined into three most common groups:

- providing with the staff (the nature of employment, the rate of skills and experience assessment, promotion rates, qualification of the personnel, recruitment, the personnel assessment methods, etc.);
- technology of management (the aim of functioning, organizational structure, distribution of functions, forms of responsibility and control, the scheme of decision-making, etc.);
- organization and stimulation of labour (management style, motivation, payment system, regulation of work, etc.).

Comparative characteristics of the American and Japanese management experience are given in Table 1.1.

Table 1.1 – The comparative characteristic of the American and Japanese models of management

The American model	Tendencies of the European model of management	The Japanese model
1. The individual process of decision-making	++	The process of decision-making based on the principle of consensus
2. The individual responsibility	++	The collective responsibility
3. The precisely formalized structure of management	←	The flexible informal approach to construction of the structure of management
4. Precisely formalized procedures (quantitative mechanisms) of control	←	Informal procedures (thin mechanisms) of control
5. Individual control of a manager	←	Group forms of control

Table 1.1 (continues)

The American model	Tendencies of the European model of management	The Japanese model
6. Orientation of the managers' selection to professional habits and initiative	—	Orientation of the managers' selection to the ability to carry out coordination (interests, purposes)
7. A fast evaluation and job promotion	—	A slow evaluation and job promotion
8. The style of management focused on an individual: "I"	—	The style of management focused on group: "I is a group"
9. Managers orientation to achievement of the individual result	++	Managers orientation to achievement of harmony in the group and achievement of group results
10. Job promotion based on individual achievements and results	++	Job promotion based on seniority and the experience of work, management capabilities
11. The formal working relations with subordinates	++	The personal informal relations with subordinates
12. Specialized professional training (training of "narrow" experts). The specialized activity	←	Non- specialized professional training of managers of the universal type. The non-specialized activity.
13. Close relation of the size of payment of work with individual results and productivity	++	Determination of the payment size depending on the experience of work in the firm, age, abilities, parameters of a group work.
14. A short-term employment	++	A long-term employment (life-long employment)
15. Minor attention to the human factor	→	Increased attention to the human factor

*The note:*

“++” – presence of features management inherent to the American and Japanese models;

“→” – advantage of this or that model;

“–” – absence of definiteness of the given rules.

The basis of development and promotion of public awareness in Japan is the principle: "Harmony is above all." The main principle of it is to live in peace with the group, to show a sense of caring and appreciation, striving for a common good fortune and luck. Hence, there is the desire to avoid competition in the group, most of the general interests and to move up the career ladder with a general support.

Japanese executives earlier than American and European executives have taken into account that the primary productive force is a worker. As an important means of providing an intense productive and creative work in Japan there is "the personnel management system" (PMS). The key idea of the system is to respect people. Among the elements of this system life-long employment can be distinguished.

Recently there have been some changes in issues concerning promotion and rotation of the personnel in the head positions that are part of a PMS. Whereas previously the position occupied by an employee was determined by his age and experience, now promotion at the age restriction indicated (a junior manager may be a person not younger than 30, a senior manager is not younger than 35 years old) depends not only on seniority in the firm, but also on the ability and quality of performance of responsibilities.

The standard of the ordinary working life and the personnel policy in Japan is a job rotation. Japanese workers within the firm move from one workplace to another. The method of successive "change of places" is used to acquire the experience of a wide range of activities by the young employees. Employees, except the top staff, are transferred from one workplace to another every five years. A typical rotation is associated with other kinds of work, transfers from one department to another department. This type of rotation is for candidates for leadership positions.

Rotation and promotion is often performed simultaneously. In the department of planning people work a little more than five years, in the sales department this term is about 5 years, in production it is 5,5 years, and in the research and development department (R&D) it lasts more than six years. During the 15-20-year rotation in the different departments specialists and other staff are trained a comprehensively and deeply, they accumulate a great manufacturing experience, comprehend, "the philosophy of the firm," strengthen the personal relations.

The PMS element is also active communication of the company's staff. It suggests the involvement of employees in various group activities, which include departmental meetings, ceremonial groups, quality groups, parties, picnics, etc.

One of the world famous elements of the Japanese management mechanism is a "quality group". This is a workers' meeting to identify and solve problems in production or customer service. Groups are created by the workers. The purpose of quality groups is to allow each employee to be not only the worker, but also an engineer. By controlling the quality of labour and production, the Japanese do not aim at punishing the employee, they seek to identify and eliminate the causes of problems.

The management strategy in the USA includes: determination of a broad scope, rapid development and efficient use of the capital resources, focus on financial resources with the calculation of industrial policy for the short term, self-responsibility of each department of the risk, the use of a possible competition in the production strategy.

### Questions for out-of-class work

1. Give the definition of management.
2. What is the importance of the theory of management?
3. Characterize the basic historical stages of development of the management theory.
4. What is the essence of approaches to management?
5. What are the general functions of management?
6. What is the level structure of management? Characterize the ways of representation of levels of management.
7. Give the characteristic of organizational structures of pharmaceutical management.
8. Name and characterize the existing market structures of management.
9. What is the essence of foreign models of management?
10. Give the comparative characteristic of the American, Japanese and European models of management.

### Tests

1. What definition characterizes the notion "management" most completely?

A. The social and technical process by means of which resources are used, human actions are influenced on, changes are made to achieve the organizational purposes

B. The policy of providing decision-making in business sphere, supposing the complex analysis of the factors affecting its efficiency

C. A complex of principles, methods, means and forms of the enterprise administration for increasing its efficiency and profits

D. The concept and the system of management of the enterprise production and sale activity based on research of consumers' needs, product promotion and obtaining the profit

2. *Who is a manager?*

- A. A person who deals with consulting to increase the labour efficiency of the organization
- B. A person who takes the risk connected with the organization of a new enterprise or development of a new idea, a new product or a new type of services
- C. A person who actively participates in formation of the purposes of the enterprise or the organization and operates this organization at the beginning of its activity
- D. A person who makes decisions about the use of the organization's resources, and is concerned with planning, organizing, leading, and controlling the organization's activities in order to reach its objectives
- E. A person who works in a separate site of the organizational activity

3. *What person is a manager?*

- A. A person dealing with formation of the organization capital and is interested in efficiency of its activity
- B. A person who incurs the risk connected with the organization of a new enterprise or development of a new idea, a new type of products or services
- C. A person taking an active part in formation of the purposes of the enterprise or the organization and operating this organization at the beginning of its activity
- D. A person who works on a separate site of the organizational activity
- E. A person who makes decisions about the use of the organization resources, and is concerned with planning, organizing, leading, and controlling the organization activities so as to reach its objectives

4. *What of the listed groups of elements belongs to the basic components of the management theory?*

- A. Sender, message, channel, receiver
- B. Association, concern, consortium, corporation
- C. Organizations, management, the internal environment, the external environment, connecting processes
- D. Demand, proposal, price

5. *Choose the correct list of approaches to management:*

- A. Process, system, technological, situational process, system, situational ones
- B. Different schools of management, process, structural, situational approach
- C. Process, structural, system, situational ones
- D. Different schools of management, process, system, situational approach

6. *What approach to management characterizes the definition: “the approach considers management as a series of continuous interconnected actions: ordering, coordination, adjustment”?*

- A. Structural
- B. Process
- C. System
- D. Situational

7. *What approach to management is oriented to the fact that the fitness of various methods of management is determined by a situation?*

- A. System
- B. Process
- C. Situational

8. *What approach to management considers the organization as a complex of interconnected elements, which are focused on achievement of various purposes in the conditions of the changing environment?*

- A. Situational
- B. Process
- C. System

9. *Which level of managers develops the long-term plans, formulate the purposes?*

- A. Administrative
- B. Technical
- C. Institutional

10. *What level of heads coordinates the various forms of activity inside the organization?*

- A. Institutional
- B. Technical
- C. Administrative

11. *What is the level of managers performing daily operations necessary for providing the effective work without failures in manufacture and rendering services in the organization?*

- A. Administrative
- B. Institutional
- C. Technical

12. *Match the main features of the Japanese and American models of management:*

- A. Japanese
- B. American:
  - a) the individual process of decision-making;

- b) collective responsibility;
- c) the precisely formalized structure of management;
- d) the process of decision-making based on the principle of consensus;
- e) individual responsibility;
- f) the flexible informal approach to construction of the structure of management;
- g) job promotion based on individual achievements and results;
- h) the style of management focused on a group: "I is a group";
- i) job promotion based on seniority and the experience of work, management capabilities;
- j) the style of management focused on an individual: "I";
- k) the close relation of the size of payment for work with individual results and productivity;
- l) the personal informal relations with subordinates;
- m) short-term employment;
- n) increased attention to the human factor;
- o) long-term employment (life-long employment);
- p) minor attention to the human factor.

13. Which foreign mechanism is explained by the principle "harmony is above all"?

- A. European
- B. American
- C. Japanese

14. Match characteristics of management strategies in Japan and the USA:

- A. Management strategy in Japan
- B. Management strategy in the USA:
  - a) determination of a wide range of activities;
  - b) a broad and long-term program of saving resources;
  - c) using the possible competition in the production strategy ;
  - d) the dynamic development of capital and the efficient use of resources;
  - e) the emphasis on human resource programs to provide long-term stability of the company;
  - f) the independent responsibility of each department for the risk;
  - g) the emphasis on the financial resources in view of the business policy in the short term;
  - h) risk reduction through development of intercompany relationships;
  - i) indication of areas for action in the wider freedom of interpretation by employees.

*15. The American and Japanese approaches are used in management of a pharmaceutical firm. Choose a characteristic feature of the American model of management.*

- A. Slow career promotion
- B. Group forms of control
- C. Collective responsibility
- D. Rapid estimation and career promotion
- E. A great attention to “the human factor”

*16. What foreign model of management is characterized by inclusion of labour rotation or posts rotation in the control system of the personnel?*

- A. American
- B. European
- C. Japanese



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## CHAPTER 2

### ORGANIZATION AS A MANAGEMENT OBJECT

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The chapter is devoted to description of an organization as a management object, its internal and external environment, as well as the role of internal and external factors in providing of the effective functioning of the organization. The specificity of enterprises of the pharmaceutical type, the essence of successful activity of the organization, the essence of work of a leader, methods of management, relations of power and leadership are considered.

#### 2.1. ORGANIZATIONS OF THE PHARMACEUTICAL SYSTEM AS MANAGEMENT OBJECTS. INTERNAL ENVIRONMENT OF ORGANIZATIONS

Organization is the basic notion of management. The notion "organization" in management is used in two meanings: organization as a management function (as a process), and organization as an enterprise, institution, that is a management object. In the last case the notion is based on the accordance to some obligatory requirements:

- a) the presence, at least, two people who consider themselves the part of the group;
- b) the presence of even one purpose adopted as general for all members of the group;
- c) the presence of members of the group, who intentionally work together to achieve the purpose that are important for all.

**Organization** is the group of people, their activity is consciously coordinated for achievement of the common purpose.

According to the definition of Kenneth Killen, organization is a group of people, working together at the head with a leader with the purpose of fulfilling the definite plans.

In the materials of the American conference on the problems of management of the complex programs of works in the epoch of scientific and technological progress the following determination of organization is given: "Organization is a complex of materials, machines, technical and scientific facilities, as well as personnel oriented to decision of a definite task as a result of continuous co-operation and integrated in the single social system".

Broadly defined organization can be characterized as a structure where the corresponding measures are carried out.

Organization can be considered as 'closed' or 'open' systems.

**Closed** systems are systems, which do not interact with their external environment, i.e. they are practically self-contained.

**Open** systems are systems, which rely on the interaction with their environment. Biological systems and social systems are examples of open systems. Open systems have three major characteristics:

- a) resources (material – means and objects of production, financial, labour, technological, informative);
- b) dependence on the external and internal environment;
- c) necessity of management ;
- d) the presence of structural subdivisions;
- d) division of labour (horizontal and vertical).

In the pharmaceutical system organizations as management objects are pharmacies, pharmacy outlets, pharmacy depots and warehouses, pharmaceutical factories, pharmaceutical enterprises and their associations, wholesale-intermediary enterprises, control analytical laboratories etc.

Organization is an open system closely connected with the external environment. Simultaneously it is a complex multi-functional organism, which has the internal environment and consists of multiple interdependent parts. **The internal components (or variables)** of the organization are situational factors inside the organization. They are (Fig. 2.1): purposes, tasks, structure, technologies and staff (people).

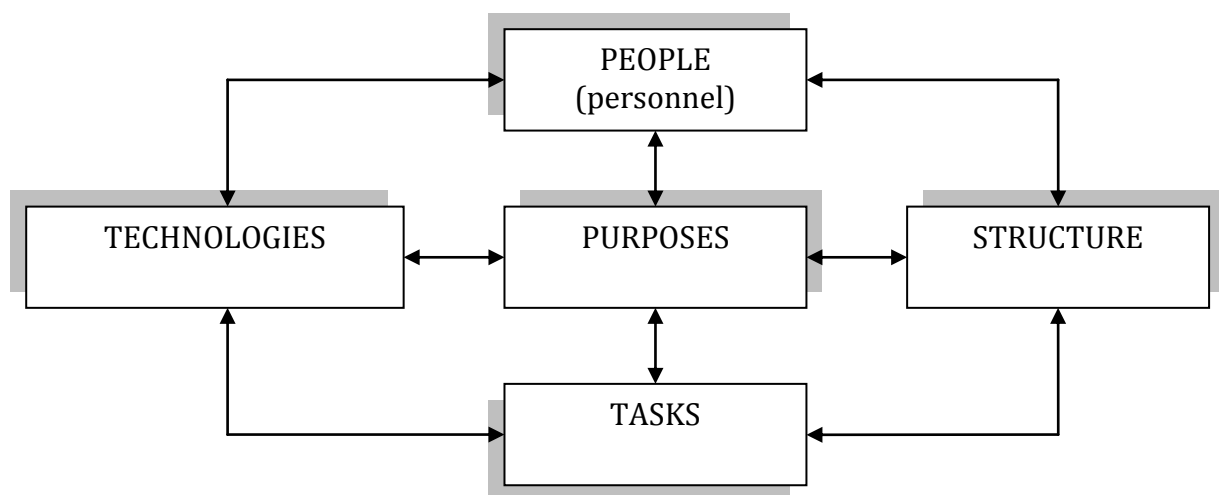


Figure 2.1 – The internal components (or variables) of the organization

They interact with each other. The **purpose** is the exact final condition or a desired result that the group tries to achieve working together.

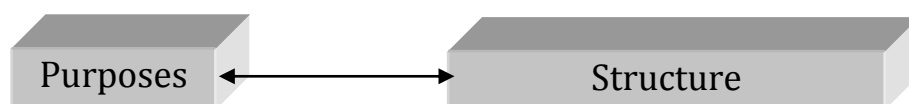
During the process of planning the administration develops aims and reveals them to the members of the organization. This process is a powerful mechanism of coordination, because it gives the opportunity to the members to know what they must aim at. The accordance of common aims of the organization and its subdivisions is very important. The aims of subdivisions must make a specific contribution to the purpose of the organization as a unit and do not enter into contradiction with the aims of other subdivisions.

Organization can have various purposes. So, organizations engaged in business are concentrated mainly on creation of certain commodities or services. This task is directed to achievement of such aims as profitability and productivity. The state authorities, educational and medical institutions act in accordance with the aims, formed as rendering the services within the framework of certain budget constraints.

Large organizations have many purposes. For example, to get an income they must formulate aims in such areas as a market share, development of new products, quality of services, preparation and selection of managers and even social responsibility.

On the basis of the specificity of pharmaceutical enterprises, their primary purpose is satisfaction of the demand of the population and medical preventive institutions in medicines; it simultaneously is the component of interests of society. In addition, achievement of profitability, training and selection of managers etc., are also important for successful activity.

**The structure** of the organization is a logical interrelation of management levels and functional areas built in such form, which allows to achieve the organization's purposes most effectively.



The functional sphere is work, which is performed by subdivisions for the organization on the whole. The choice of functional spheres determines the basic structure of the organization and possibilities of its successful activity.

Two concepts are related with the structure of organizations: the specialized division of labour and the control sphere.

The specialized division of labour is fixing of specific work to specialists, who are able to execute it better, from the point of view of the organization as a single unit. The grouping of specialists within the limits of the functional area forms the horizontal division of labour.

The vertical specialized division of labour is conditioned by the necessity of co-ordination of direct implementation of tasks by groups. The intentional vertical division of labour in the organization gives as a result the hierarchy of administrative levels as a formal subordination of persons at every level. The number of people, subordinated to one leader is a control sphere. The control sphere is an important aspect of the organizational structure. If a great number of employees are submitted to one leader, it is the wide sphere of control, which gives the flat structure of management.

If the control sphere is narrow, i.e. a few workers are submitted to every leader, so, there is a multi-level structure.

Interrelation of the specialized division of labour, spheres of control and the structure of organization are illustrated in Fig. 2.2 by the example of a pharmacy with the right for preparing medicinal forms.

The major requirements to organizational structures are:

a) *optimality*: a structure is optimal if between the management links at all levels the rational relations at the least number of stages of management are established;

b) *manageability* is the presence of the least of links and levels of management providing the timely transfer of decisions from the leaders of the higher level to the executives;

c) *dynamism* (flexibility) is the ability to change according to the changes of the external environment;

d) *the presence of feedback* is the ability to perform the decision or tasks and to give the information about this to the higher levels of management;

e) *managers* of all management levels should be really capable and actively influence on achievement of the organization's purposes;

f) *profitability* is providing of the appropriate effect from management with minimal expenses for the administrative personnel.

The **task** is work, series of works or a part of the work, which must be executed by the previously set way in the terms discussed beforehand.

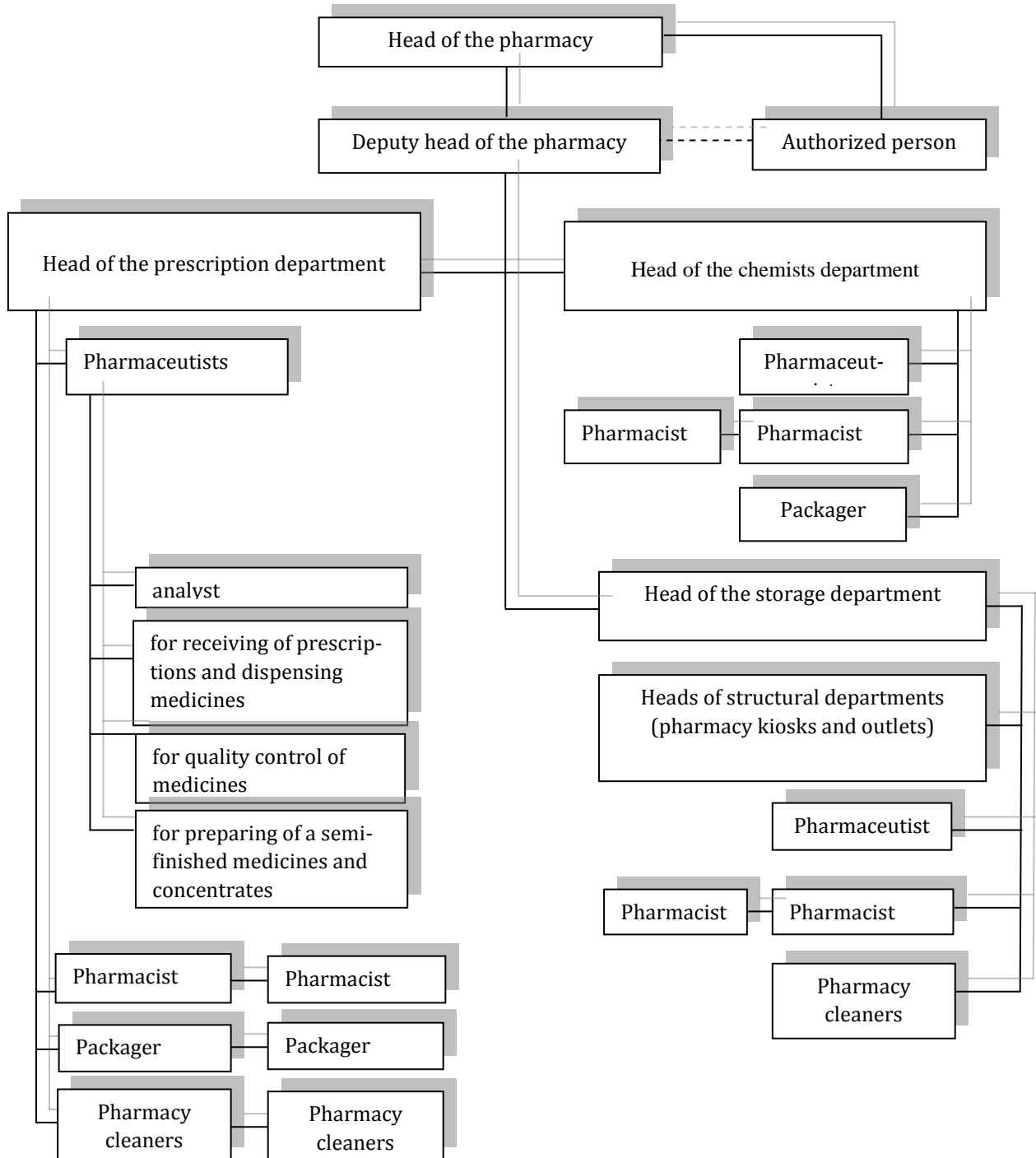
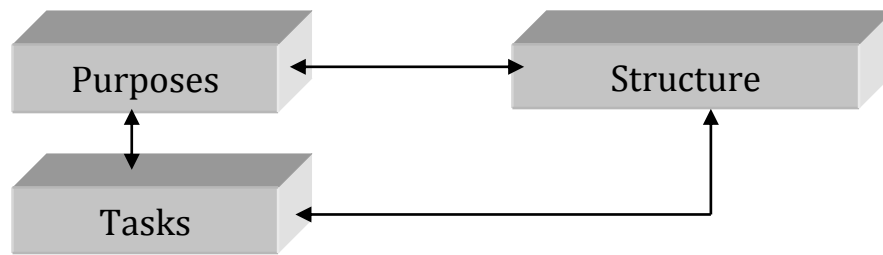


Figure 2.2 – The organizational structure and division of labour in a pharmacy with the right for preparing of medicinal forms

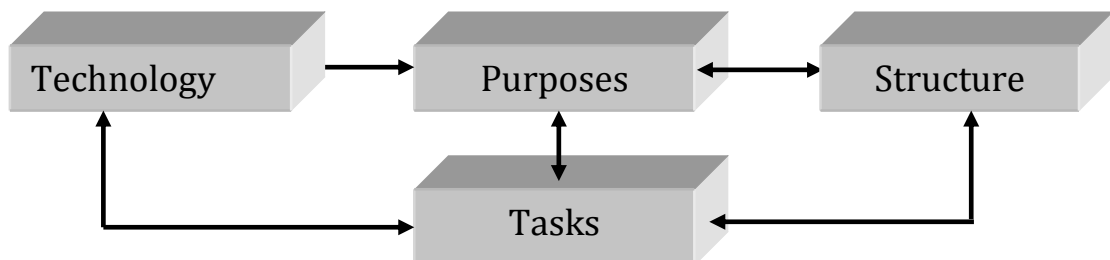
The tasks are set not to an employee, but to his position. On the basis of the management decision about the organization's structure each position includes the range of tasks, which are considered as the necessary contribution to achieve the organization's purposes.

The tasks are divided into three categories: the work with people; the work with objects (raw material, machines, technical equipment, instruments, etc.); the work with information.



For example, in pharmacies the work of pharmacists in extemporaneous compounding and dispensing pharmacists consists mainly of work with objects. Tasks of the head of a pharmacy, his/her deputy, heads of departments, pharmacists-technologists in taking of prescriptions and dispensing of medicines is mainly the work with people. At the same time of the task of information pharmacist is related in a greater degree with information.

**Technology** is the fourth important internal variable. It is the means of transformation of inputs (people, information or material) into outputs (the products and services). There is another alike determination: "Technology is a combination of qualified skills, equipment, infrastructure, instruments and the appropriate technical knowledge required for performing of the desired transformations in materials, information or people".



Tasks and technology are closely connected. The performance of the task includes the use of a specific technology as a method of transformation of the material to the finished. On the other hand, the choice of technology is stipulated by purposes and the structure of an organization.

The choice of technology by the enterprises of the pharmaceutical type is conditioned by volume and the character of the work. In pharmacies technologies of the individual compounding of medicines and technology of the small-scale preparation of medicines are prevailed. Pharmaceutical enterprises use technology of the industrial production of medicines. An intermediate place between individual technologies and technologies of mass production is occupied by technologies of small pharmaceutical enterprises. Such place of small producers is conditioned by the fact that manufacture of their products can't be fully standardized unlike large pharmaceutical enterprises and firms.

The fifth variable of organization is **staff (people, personnel)**. Inside the organization people are determinant between tasks and the chosen technology. No technology can be useful and no tasks can be executed without people.

The most significant human features are as follows:

1. *Abilities* are the individual qualities, which are inherent to each person. Organizations always try to use the abilities for decision of the problem of what work the individual will execute and what office he will work in.

2. *Gift* is a potential of a person in respect of execution of some type of work. Arising from combinations of both the innate quality and the gained experience, gifts become a talent in some area.

3. *Needs* are an internal condition of psychological or physiological sensation of insufficiency of anything. Basic needs are physiological (needs in food, drinks, heat), as well as psychological needs of involvement, belonging to the society or a group of people. Many people have needs of power and influence.

4. *Expectations* are based on the past experience and estimation of the current situation; people form expectations comparatively with results of their behaviour.

5. *Perception* is an intellectual realization of stimuli got from sensations. Perception is very important because it defines exactly what "reality" is for a definite individual.

6. *Attitude (standpoint)* forms our subjective perception of the environment and hereunder influences upon behaviour.

7. *Values* are faiths, the general beliefs in what is good and what is bad or what is important or unimportant in life. Values are gained by means of training in school, by education. Values are consolidated in social contacts and even through leisure.

All the descriptions mentioned above determine the individuality, inherent to everybody, and the combination of stable characteristics determines the personality. Personality reveals through "features of a separate person and his/her behaviour, which are grouped to reflect the unique character of adaptation of this person to the environment". The task of a manager is to find and use workers with the features, desirable for the activity to achieve the purposes of organization as well as to create the working atmosphere developing these features.

However, a character of behaviour of a worker is not something permanent, it is formed and developed under the influence of different factors of the environment, two from which are dominant. They are groups and administrative leadership.

Groups can be formed spontaneously, as a result of intensive social co-operation. But at the same time the organization itself and its subdivisions are also groups due to the formal structure.

Groups influence on the behaviour of definite people. The members of the group form the values and expectations in questions dealing with understanding of the behavioural norm. Norm is standards of behaviour accepted in certain conditions. The more a person appreciates his belonging to the group, the more his/her conduct will coincide with the group norms.

The group norms can promote or counteract to achievement of the purposes of an organization. The example of the first one is the high degree of collectivism in a group, support of stability in communication, etc.

To be an effective manager it is necessary to be an effective leader. **Leadership** is means by which a leader influence on behaviour of people making them to behave in a certain way. The style of leadership reflects the values and opinions of a manager, his/her attitude to employees, his/her self-appraisal and personality. The choice of the style of management determines in a greater degree, how well a manager is able to direct efforts of workers to achieve the purposes, create a capable working team, solve the conflict situation, etc.

Internal variables in administrative practice can't be considered independently of each other. The significant changes of any of them will influence on all other in a certain degree (Fig. 2.3).

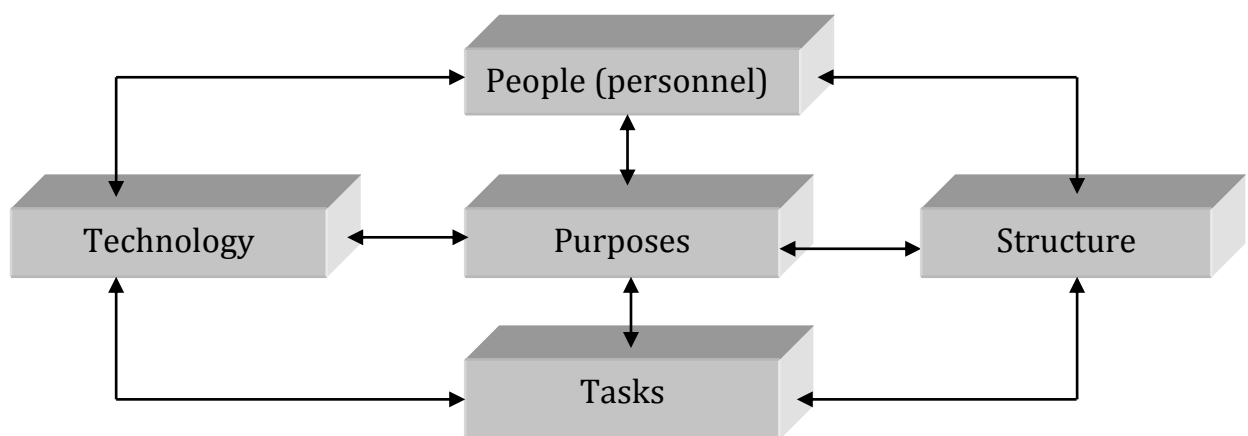


Figure 2.3 –Interrelation of internal variables of the organization



In the aggregate internal variables are considered as social technical subsystems as they have both social (people) and technical (other variables) components.

Consequently, managing internal variables, it is necessary to take into account that improvement of one of them, for example, technologies, can not necessarily result in the increase of productivity if these changes negatively influence on another variable, for example, people.

*The internal environment* is the system of indexes characterizing the activity of an enterprise. They are production, marketing, finances, labour resources and the image of the corporation. Research and development of enterprises is also of a great importance in modern conditions.

## 2.2. COMPONENTS OF THE SUCCESSFUL ACTIVITY OF A PHARMACEUTICAL ORGANIZATION

The main condition of the successful activity of an organization is achievement of its purpose. Then it is natural to suppose that having achieving the purpose, organization stops to exist. Actually it not so if we consider the constituents, or criteria of the successful activity of the organization.

The primary task of most organizations is survival, possibility to exist as long as possible. Thus, organizations have to change the purposes quite often or extend them according to the changing necessities of the environment. For example, for pharmaceutical enterprises, there is development of new types of products and services, diversification in other spheres of activity, investing of the capital for development of enterprises for its brand or another industries et cetera.

The next component of the successful activity of organization is its **effectiveness** and **efficiency**. Effectiveness, from the point of view of management, is the result that an organization or an enterprise produces products necessary for a consumer or render the necessary services. The condition of efficiency is production of the necessary commodities and services of required quality.

The quantitative value of efficiency of organizations and enterprises is **productivity**, another component of the successful activity. Broadly defined productivity is a ratio of the amount of units at the output to the amount of units at the input.

Productivity at all levels of the organization is a major factor for the organization to survive and achieve success in the conditions of competition.

The more effective an organization is, the higher is its productivity. However large volumes of the products manufactured are not the evidence of high productivity. The key component of productivity is quality. A potential customer who has a freedom of choice, naturally, will prefer high-quality products. Thus, the greater volume of sales will give to organizations the increase of monetary resources, which can be invested in resources, better equipment and technology, and it will assist the increase of productivity in future.

The important criterion of the successful activity of an organization is **practical implementation of management decisions**. A successful decision is a decision implemented practically, i.e. grows into the action effectively. One of measures of success in this respect is also estimation of the organization by its partners.

Activity of pharmacies includes social and economic aspects, therefore, for the estimation of their efficiency the system approach is used.

Presently the main economic criterion of activity of pharmacies is their profitability. But this index is not fully perfect for the estimation of efficiency and is determined by factors, that do not depend on efforts of the pharmacy personnel for implementation of plan tasks. It is the level and structure of prices, the assortment of commodities in a pharmacy, interruptions in the system of supply, etc. As a whole the basic index of efficiency of the pharmaceutical service is the most complete providing of population and medical and preventive institutions with medicine.

In pharmaceutical service the effective organization of work, along with the indicated general criteria of the successful activity of the management subject, must render assistance to implementation of two basic tasks:

- a) time reduction to the minimum of on purchase of medicines and other medical commodities at the corresponding level of service;
- b) reduction of labour expenses for preparation of medicines and implementation of other works.

Basic directions of increasing efficiency of work in pharmacy institutions are:

- improvement of organization and maintenance of workplaces;
- rationalization of means and methods of labour, which accelerate and facilitate the process of preparing and dispensing of medicines and other commodities;
- improvement of labour conditions, development of the optimal modes of labour and rest;
- setting of norms of labour expenses when carrying out separate production operations;
- increase of the cultural and technical level of workers of pharmacies and training of the qualified personnel;
- improvement of forms of distribution and co-operation of work, combination of professions, specialties and functions within the departments of the pharmacy;

- improvement of labour discipline, increase of the level of workers' creative activity;
- improvement of organization of labour of support personnel;
- improvement of forms and systems of labour payment and economic stimulation;
- improvement of work of the managerial personnel.

### **2.3. ACTIVITY OF A MANAGER. FUNCTIONS AND ORGANIZATION OF WORK OF THE HEAD OF A PHARMACY**

Management is a substantial component of the organization activity in achievement of its purpose. The main task of a leader is to organize the work of employees according to their qualification, capabilities, skills; on this basis to construct the models of organizational relationships; to observe the effective implementation of work. Such variety of the manager labour requires implementation of various, but interconnected functions of a manager, organizer and specialist.

As a manager a leader executes the powers for providing development of the organization according to current laws and normative acts, develops and exercises the staff policy.

Executing the functions of an organizer a leader creates conditions, which are necessary for the effective activity a team when achieving the common aims; coordinates the actions of subordinates engaged in the processes of management and production.

As a specialist, i. e. a person who is professionally well-trained, with the knowledge, experience in a specific field, a leader should set tasks correctly, analyze competently and control the course effectively of their implementation.

In connection with forming of new socio-economic tasks of enterprises modern leaders must have the qualities of managers. The main requirements are: the presence of a wide range of the special knowledge in the area of market research, marketing planning, pricing, organization of sale channels, of record-keeping, foreign trade, labour legislation etc.; entrepreneurial spirit, i. e. the ability to achieve the specific economic and social aims selecting original, non-standard decisions related with the economic risk; persistence, purposefulness, aspiring to obligatory achievement of the aims set.

A manager must:

- a) organize and plan production and resale's of products;
- b) take correct administrative decisions;
- c) conduct business negotiations;
- d) select and train employees;
- e) manage the staff at the level of modern requirements;
- f) induce workers to creative activity, rationalization, invention, note and estimate every achievement of a subordinate;
- g) be maximumally objective;
- h) find the way out of the conflict situations, etc.

There is a vast list of characteristics assisting effective management. Such personality traits usually are: mind, the level of intellect, confidence, purposefulness, energy, initiativeness, strictness and demand, politeness, benevolent attitude toward subordinate, etc.

A manager or head of a pharmacy as a leader organizes work in providing of the population and medical preventive institutions with medicines, carries out management of sales, financial and administrative activity. His/her functions are:

- licensing of the activity of a pharmacy and control of the observance of licensed conditions;
- business contacts with public and supervisory bodies;
- providing of the proper organization of all trade-productive and economic operations in a pharmacy;
- control of the presence of the drug assortment, the observance of rules of for dispensing;
- organization of providing of a pharmacy with medicines;
- organization of the quality control of medicines;
- control of the observance of the sanitary mode, rules of storage of medicines in a pharmacy and medical institutions;
- recruiting and discharge of workers, making contracts about material responsibility, approval of the schedule of work;
- selection, placing, education and increase of business qualification of the personnel;
- introduction of progressive forms of work;
- organization of informative work;
- organization of sanitary work among the population;
- providing of implementation of all economic and financial operations;
- organization of correct account and accounting, planning of the pharmacy activity;
- making of administrative decisions on organizational and productive questions, control of their implementation, etc.

The drugstore deputy manager's functions are: marketing research, solution of marketing tasks of a pharmacy, determination of needs in medicines and the optimal assortment, pricing, control of the financial discipline, control of medicines storage, reception of goods, operative communication with suppliers, sale of medicines to hospitals and retail networks, work with the control and analytical laboratory, etc.

Quality of the administrative activity renders direct influence on the work of every employee and success of the organization activity as a whole. One of basic directions of increase of efficiency of the administrative activity is its distribution and co-operation. They are carried out according to three signs: technological, functional and professional-qualified.

According to the *technological* signs the labour of staff management is distributed by the types of work in obedience with specialization of employees.

The *functional* distribution and co-operation of labour are based on specialization when performing different functions of management.

According to the *professional-qualified* signs duties and responsibility are differentiated between employees taking into account the position held, which is necessary for this qualification.

Distribution and co-operation of the administrative activity in a pharmaceutical organization is fixed in duty instructions which determine the law state of a manager of each level. The instruction is developed on the basis of the Statute about a certain post in relation to a definite worker taking into account his/her knowledge, experience, personal and business qualities, specificity of work of a pharmacy.

Efficiency of the manager's work in a great deal depends on organization of his/her personal work. Organizing others, a leader, foremost, must be organized. This work is called **self-management**. Self-management provides the increase of management efficiency and improvement of the results of activity of all staff.

The primary purpose of organization of the personal manager's work is economy of his hours worked and the maximal use of his own possibilities. Each manager sets the system of organization of the personal labour independently, based on specific terms, the sphere of activity, the character of the work performed, the number of subordinates, etc.

The major components of self-management are:

- a) organization of the manager's working place;
- b) optimization of the production environment at the working place;
- c) analysis of expenses of the hours worked;

- d) planning of the work by a manager;
- e) holding business meetings and conferences and taking part in them;
- g) organization of public speaking;
- h) reception of visitors and conducting business talks (the technology of business contacts);
- i) organization of the information service of the manager's work;
- k) constant professional improvement.

Correct organization and rational equipment of the working place of a manager enable to execute the functions rationally and with the least expenses of labour, communicate effectively with visitors, employees and subordinates, receive visitors, support a high capacity and working mood.

Time management supposes a number of the interconnected stages: record of hours worked, analysis of expenses, planning of the working day.

Methods of record of hours worked are: photo, time-study, continuous timing, flyback timing, instantaneous observation, the choice of which depends on the aims.

Time management of a leader must be carried out both for a long-term prospect and for more short period – a week, a day.

Planning of the work of a head of a pharmacy is in a great deal determined by specificity and by volume of activity of the pharmacy. So, the plan of work for a month includes set administrative functions, organization of the informational work, development of the project of the financial-economic plan of the pharmacy, drafting of the report on sale and financial activity, making the inventory, etc.

The plan of work for a week should include holding of operative meetings with the deputies of the head of the pharmacy and heads of the departments concerning summarization of work for the previous week, their estimation, as well as for determination of tasks for the current week. In addition, it is necessary to plan the visiting hours for the population and employees of the pharmacy in private matters.

It is expedient to begin the working day with controlling the presence of the personnel of the pharmacy at the working places and readiness of the staff to work, then to specify the content of the own activity during a day, study the correspondence received, distribute it between performers, to determine the time of performance of the work etc.

The psychological aspects of the effective administrative activity are determined by knowledge of psychological sides of co-operation and communication of people in labour collectives, by ability to apply these knowledge in administrative practice.

## 2.4. THE SYSTEM OF MANAGEMENT METHODS

**Methods of management** are a complex of methods and means, which help to influence on the object of management.

By the nature of influences there are methods of direct influence and indirect methods. The list of them is given in Table 2.1.

Table 2.1 – Methods of management of a pharmaceutical enterprise

Methods of direct influence	Methods of indirect influence
Economic Organizational Social and psychological Legal	Scientific and technical and economic forecasting Methods of cybernetics (for research, modelling and optimization of information systems) Methods of statistics Mathematical methods Economic analysis Sociological research Graphic methods of modelling

The economic methods represent methods of influence on labour activity of the employees based on conscious using of the whole system of economic laws and categories. The economic methods include: planning, material stimulation, use of the growth of production funds, distribution of profit, pricing, crediting, realization of material sanctions, distribution of capital investments and some others.

By means of economic methods of management the program of productive subdivisions activity is determined. The target influence on economic interests of all staff and every worker is carried out, terms for creative activity and initiative of workers are created.

The use of economic methods allows to affect the increase of economic efficiency of production and quality of work. Due to these methods the impact on the process of production, sales and exchange on the basis of comparison of expenses and results, expenses and public needs is carried out. The use of economical-mathematical methods allows to give qualitative and quantitative description of relations between phenomena, to help in approving of more reasonable administrative decisions.

Among economical-mathematical methods the most popular are the methods of the mathematical programming. So, by means of the linear programming in processing of information from a great number of possible variants the optimal variant of management can be chosen.

In the pharmaceutical system, programming and modelling are applied for solving tasks of forecasting of demand for pharmaceutical products, volumes of sale, organization of supply, logistic processes, etc.

**The method of organizational influence** is a method based on authority of the chief, his rights, discipline and responsibility. The method assumes on the one hand, the use of stimulation, bringing up, persuasion, development of the initiative, on the other hand it is precise organization and development of the organizational structure of each enterprise with dividing duties and acquaintance of the workers with them.

The role of organizational methods of management consists of coordination of the employees' activity in the process of solving of the tasks set. This process includes several stages.

The first stage of the organizational influence is setting of a task, giving instructions. Thus, an order must have not only instructions concerning the task, but also foresee the ways of its implementation, resources. The major components of this stage are distribution of duties, establishment of the work order, authorization of the performer.

A duty is certain actions, laid on a person, and obligated to implementation. When distributing the duties the criteria of efficiency and other circumstances, namely peculiarities of the tasks, the subjective features of performers (for example, an information pharmacist or a medical representative of a pharmaceutical enterprise should be a sociable person) are taken into account.

A very important problem is observance of balance between tasks and rights for a performers, as well as between tasks and resources (personnel, means of production, finances, knowledge, habits, etc.).

The next stage is allocation of responsibility. A performer must know what measures and in relation to whom a leader can use, he/she must know about the degree of responsibility in a specific case.

Instructing is of great importance. It is the generalized concept, which characterizes elucidation, persuasion, training.

Another stage of the organizational influence is giving instructions during the work. It is suggested to take into account the following information:

a) instructions must be objectively necessary, they must follow from the existent state of things, but not from aspiration to "command";

b) they must not do damage to the authority of the leader in the eyes of his subordinates;



c) they must take into account the features of separate performers: qualification, activity, experience, personal qualities;

d) they must develop independence and initiative of the workers.

The important stage of the administrative activity is account of the course of work. A leader must set, when and what information can enter, who presents it. And finally, there should be control for performance and summarization. The performer acts negatively if the leader does not summarize after completing some part of the tasks. It weakens the performance discipline, reduces the initiative of a worker.

Depending on the forms and tasks such types of the organizational activity are distinguished: selection, placing, work with the personnel; organizational setting of norms; operative planning; getting across the tasks to the performers; organizational instructing; organizational disposition; control of performance; organizational analysis; organizational planning.

Selection, placing and work with the personnel provides development of methods and profессиograms for the estimation of business qualities of a worker when hiring him, qualifying tables and reference books; model documents for registration of hiring and account of the personnel; development of documentation for attestation and tariffication of the personnel; personnel inventory; periodic attestation of leaders and specialists; development of methods concerning control of the personnel; creation of the staff reserve.

The organizational setting of norms is the use of norms, rules, instructions, which are the base for organization of the management process.

For example, in the activity of pharmacies there are the rules of internal order, Rules of drug sale in pharmaceutical institutions, State Pharmacopoeia of Ukraine, passport of the pharmacy, etc.

The organizational setting of norms increase efficiency of management of pharmaceutical enterprises under condition of implementation of such requirements as:

- setting of norms must be combined with material and moral stimulation of performance of rules and norms;
- the norms must not be disincentive for direct performers;
- the norms must strengthen the personal responsibility of performers.

The organizational planning is used to appoint the performers of separate processes, terms of implementation and necessary resources. The end-point of the organizational planning is an organizational plan of the administrative activity.

The operative planning is determination of preliminary results of work for a certain period; division of work between performers with the observance of the necessary succession, proportions and accordance of rights and responsibility.

Letting across the tasks to a performer includes verification of the possibility of implementation of tasks, verification of the terms of work and material provision with resources, setting of exact tasks for performers.

The organizational instructing includes the detailed elucidation of the task to the performers.

Organizational disposition is giving instructions timely to basic and support subdivisions; setting of exact tasks before the performers of all levels of management.

Organizational disposition can use different forms. From them the most point-blank form is an order. It imposes the duty of performing the making exactly and in a timely manner for the objects managed; and it also makes possible the punishment in the case of its non-fulfillment. Control of performance includes verification of implementation of orders and instructions of the administration system; control for keeping of the set rules, norms and standards, legal norms, technological regulations, plan tasks, state and labour discipline.

The basic task of organizational analysis is in determining the state of different links of the administrative system and finding reserves for management improvement.

The main purpose of the organizational planning is creation of the organizational model of the management system by definite enterprise, establishment for development of new organizational forms or improvement of the existing ones. The organizational planning is carried out on the basis of the system of norms and results of organizational analysis.

The elements of the organizational planning of pharmaceutical enterprises are:

- planning of the structure of a pharmaceutical enterprise;
- planning production and other processes, including planning of the rational distribution system and co-operation of efforts of workers in relation to performance of separate operations and all activity according to specialization of the institution, its sizes, material and technical base;
- planning of management processes (development of Statutes about departments and services, charts of documents flow, instructions, etc.);
- complex planning of the management system.

**The social-psychological methods** of managements are: forming of labour collectives taking into account social-psychological characteristics; establishment and development of social norms of behaviour; introduction of the system of the social regulation and stimulation; satisfaction of cultural and domestic needs.

Creation of favourable conditions for a person is also as an important task as production of material goods themselves. At an enterprise, among the colleagues a person spends a considerable part of the life, his/her best capabilities and human essence are revealed here.

The collective activity of members of the society satisfies not only material needs, but also needs of their spiritual development, needs concerning public recognition of results of work, talent, capabilities. In the structure of spiritual stimuli the special place belongs to moral one. The solution of tasks of moral stimulation provides the search of such forms that affect development and revealing of moral appeals, transform them into the factor of activation and quality improvement of management.

The moral personal interest of employees in the results of their work is the basic of social-psychological methods of management. Methods of economic, organizational influence and the social-psychological methods mutually complement each other and used as a complex. So, high payment of the high-quality work is perceived both as moral stimulation, and as recognition of meaningfulness of the labour contribution of a person, the amount and quality of his work.

*Legal influence* on the object of management has an important value in management. Thus, there is the necessary measure of the normative regulation, formal certainty and regulation in management, the volume of authority and responsibility of the management links, as well as the distinct order of their mutual relations are fixed. Success of functioning of all levels and management links depends on the observance of legality and state discipline. The legal framework of the activity of organizations is a labour, economic, criminal, financial, civil legislation.

Tasks, functions and duties which are laid on enterprises in the field of the pharmaceutical activity, are regulated by the corresponding laws of Ukraine and Regulations ratified by the Ministry of Public Health of Ukraine. The main internal legal document of a pharmaceutical enterprise is Statute.

The indirect methods of management provide the effective use of methods of direct influence in the pharmaceutical branch. So, the methods of cybernetics are used for design and creation of the information systems, computer workstations, and com-

puter networks. The methods of statistics are needed for collecting and processing the information about the consumption of medicines, activity of subjects of the pharmaceutical market, etc. Estimation of the economic efficiency of the activity of pharmaceutical enterprises is based on the economic-mathematical methods of analysis. Sociological research is widely used while studying the demand for pharmaceutical goods, consumer preferences, competitiveness of pharmaceutical organizations, when studying of administrative processes and social-psychological climate among the employees of pharmacies and pharmaceutical enterprises, etc.

## 2.5. POWER AND LEADERSHIP

The substantial condition of the successful activity of an organization is the effective use by a manager of his/her status of the leader, influence and power.

From the point of view of management, leadership is the ability to influence on individuals and groups, direct their efforts to achievement of purposes of the organization. However, leadership is considered under two points of view: a leader is the head of the organization because of the necessity of his performance of the formal duties of the leader; on the other hand, it is possible to be a leader without a formal position in the hierarchy, and only due to the ability to lead the people.

Leadership arises if there is a need in initiative actions. A person taking voluntarily greater responsibility than it is imposed by his position, is an informal leader. A leader also is the head, but, unlike an administrative manager he does not command, but leads others. A leader is psychologically recognized by people as the only one, who is able to provide satisfaction of their needs and can find the way-out of the problem situations.

In a group a leader can perform the role of coordinator, inspector, expert, arbiter, transmitter of the group responsibility or guilt ("scapegoat").

In a team with the average general level, a leader mostly plays role of an expert-specialist on any questions. In a team with the high level of development he/she is an intellectual centre, the source of ideas, consultant on most difficult problems. In both cases he is an integrator of the team, initiator and organizer of active actions, standard for ideas and acts of people.

There are three *approaches to understanding of the essence of leadership*:

- a) approach from the position of the personal internals;
- b) behavioural approach;
- c) situational approach.

According to the personality theory of leadership the best leaders possess a set, which is common for all personal qualities. The basic from them are the level of intellect and knowledge; initiativeness; impressive appearance; honesty; good sense; social and economic education; a high degree of confidence.

The behavioural approach forms styles of management, i.e. behaviour of a leader with the subordinates.

The situational approach supposes that a leader must behave variously in different situations. Situational factors include needs and personal qualities of employees, the character of the task, requirement and influence of the environment, as well as information which the leader has.

In the basis of management and leadership there are two major elements: influence and power. *Influence* is any behaviour of an individual, who makes changes in behaviour, relations, feelings of another individual. Leaders should use and show their impact so that it could be the result not only of comprehension of the idea, but to the action – the actual activity required for achievement of the organization's purposes.

A formal leader should develop and exercise power in an order to make the leadership and influence effective. *Power* is a possibility to influence on the behaviour of others.

In science of management such classification of the leader's forms of power is worked out:

a) power based on compulsion or fear is one of the most ineffective forms as its action can cause only a brief result;

b) power based on a reward is one of the oldest and the most effective forms of the impact on employees;

c) reference power or power of example is the power when the personal qualities of a leader are so attractive for an employee, that the last wants to look like a leader in everything. With this form of power is equated the power of charisma based on the strength of the personality qualities or capabilities of a leader;

d) expert power is when a leader has so great knowledge and experience that his/her orders are obligative to perform;

e) traditional or legal power is when a subordinate is convinced that a leader has every right to give orders, and his duty is to submit them.

But possessing the formal power and right of a formal leader a competent leader will not limit his influence on the employees, and in accordance with the own estimation of the situation, experience, knowledge, ability to solve problems he/she will select those methods and management styles that are the most effective in every case.

## 2.6. SOCIAL-PSYCHOLOGICAL STYLES OF MANAGEMENT OF THE STAFF

The successful activity of an organization depends to a great extent on its leader. Every leader in the administrative activity executes official duties by certain, inherent only to him, style. **The management style** of a leader is an individual method or handwriting of the activity determined by his/her intellectual and psychological features, ability to organize initiative, creative performance of the tasks laid on the staff, control the results of employees activity, create and support a moral psychological climate among the workers. The style of management reflecting the mutual relations of a leader and an employee, influences on the psychological state of every worker and the staff as a whole. In addition, the style is the social phenomenon as a world outlook and persuasions of the leader are reflected in it.

Community and variety of social-psychological aspects of management determine a great variety of specific styles of management. The most widespread are a directive, democratic and liberal styles.

*Directive (autocratic) style* of management is differed by centralization of power, propensity to undivided authority, preference to *punishments, hard tone, official character of relationships with subordinates.*

*Democratic (collective) style* of management provides for hands off policy to employees equal to their qualification and the functions performed; their involvement to such types of activity as determination of aims, estimation of work, preparation and decision making, etc. Democratic style encourages creative activity of employees, contributes to the atmosphere of mutual trust and collaboration.

*Liberal style* of management differs by lacking initiative, unwillingness to undertake responsibility for decisions and their consequences. A supporter of liberal style does not show the expressed organizational capabilities, does not regulate and controls the actions of subordinates properly; that is results in low effectiveness. However, this style of management is fully applicable in relation to mature (experienced and qualified) specialists, in the cases of necessity of stimulation of the creative approach of performers to the solution of the tasks set. In this case the leader has the functions of a consultant, arbiter, expert estimating the results obtained.

Varieties of the brought styles of management mentioned are distance, contact, goal-directed, delegating.

There is actually the combination of elements of different management styles, however, as a rule, mutual relations between a leader and his employees are formed under the influence of one prevailing style of management.

**Multidimensional styles of management** are a complex of complementary approaches, each of which can be independent.

"Two-dimensional" style of management is based on two approaches:

a) management is oriented foremost to the task and increase of the labour productivity;

b) management is concentrated on a person and increase of the labour productivity because of improvement of human relations.

An aggregate of methods of co-operation with employees, which are common for a manager, is in the position of continuum (from Latin *continuum* – continuous). Such continuum was offered by Rensis Likert (Fig. 2.4).

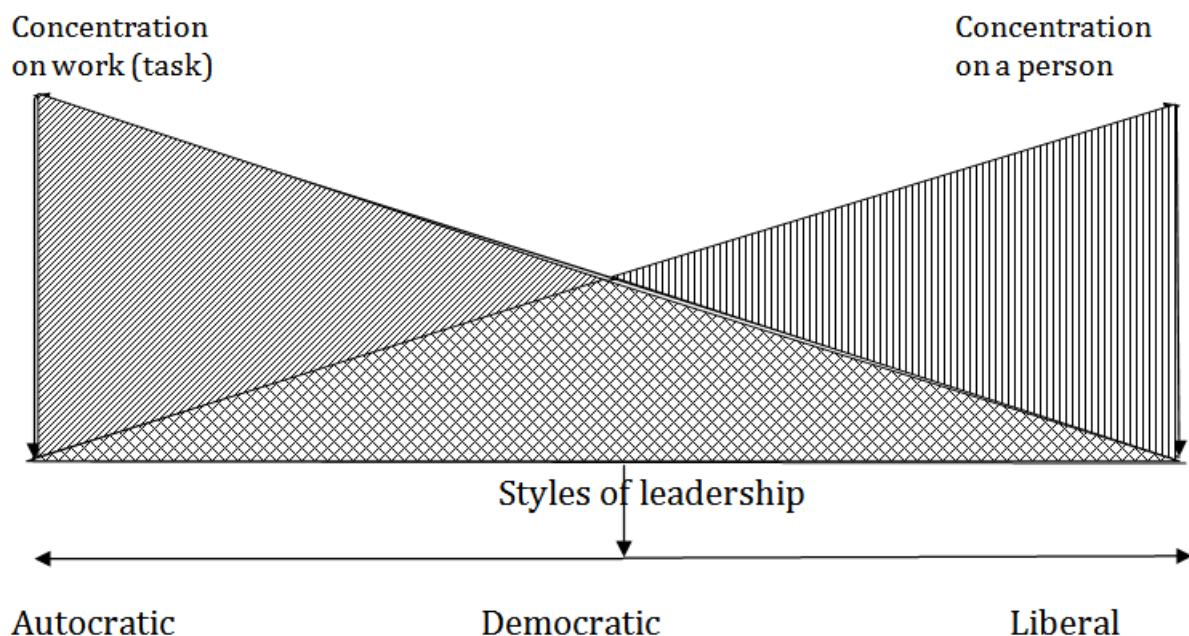


Figure 2.4 – The autocratic-liberal continuum of management styles

As a result of his further research four systems, classifying the behaviour of leaders (Fig. 2.5) were distinguished.

System 1	System 2	System 3	System 4
Exploitation - authoritarian	Favorable- authoritarian	Consultative- democratic	Based on participation

Figure 2.5 – The styles of leadership by Likert

The managerial Grid model worked out in the University of Ohio, was modified by Robert R. Blake and Jane S. Mouton. It is presented as a chart illustrating five basic styles of management (Fig. 2.6).

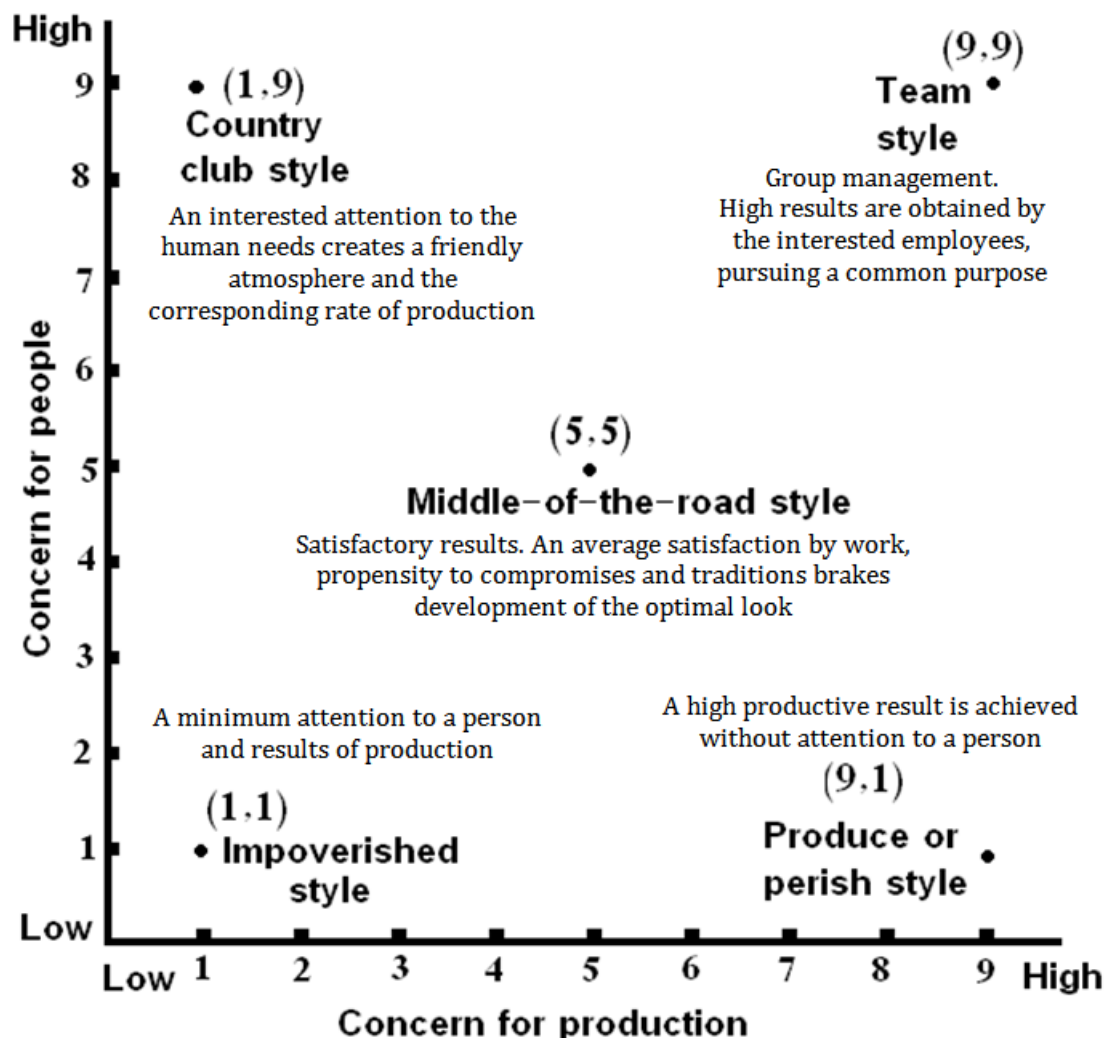


Figure 2.6 – The managerial Grid Model

A result is achieved at in the "power field" between production and a person. Between these "lines" of force there is a certain contradiction: orientation only to increase of the labour productivity, increase the production volume, profit, etc. (9.1.) can result in deplorable results; predominance of the human relations (1.9.) reduces efficiency of work as a whole, it leads to appearance of conflicts, decline of the initiative and creativity of workers. Management style (9.9) provides the greatest results at the maximal account of the people's needs.

*The Life Cycle Theory of Leadership* was worked out by Paul Hersey and Ken Blanchard. It is a situational theory of leadership; according to it the most effective styles of management depend on "maturity" of performers. A concept of maturity is characterizes a specific situation.



According to Fig. 2.7 four management styles are distinguished; they correspond to the exact level of maturity of performers: "Telling", "Selling", "Participating", "Delegating".

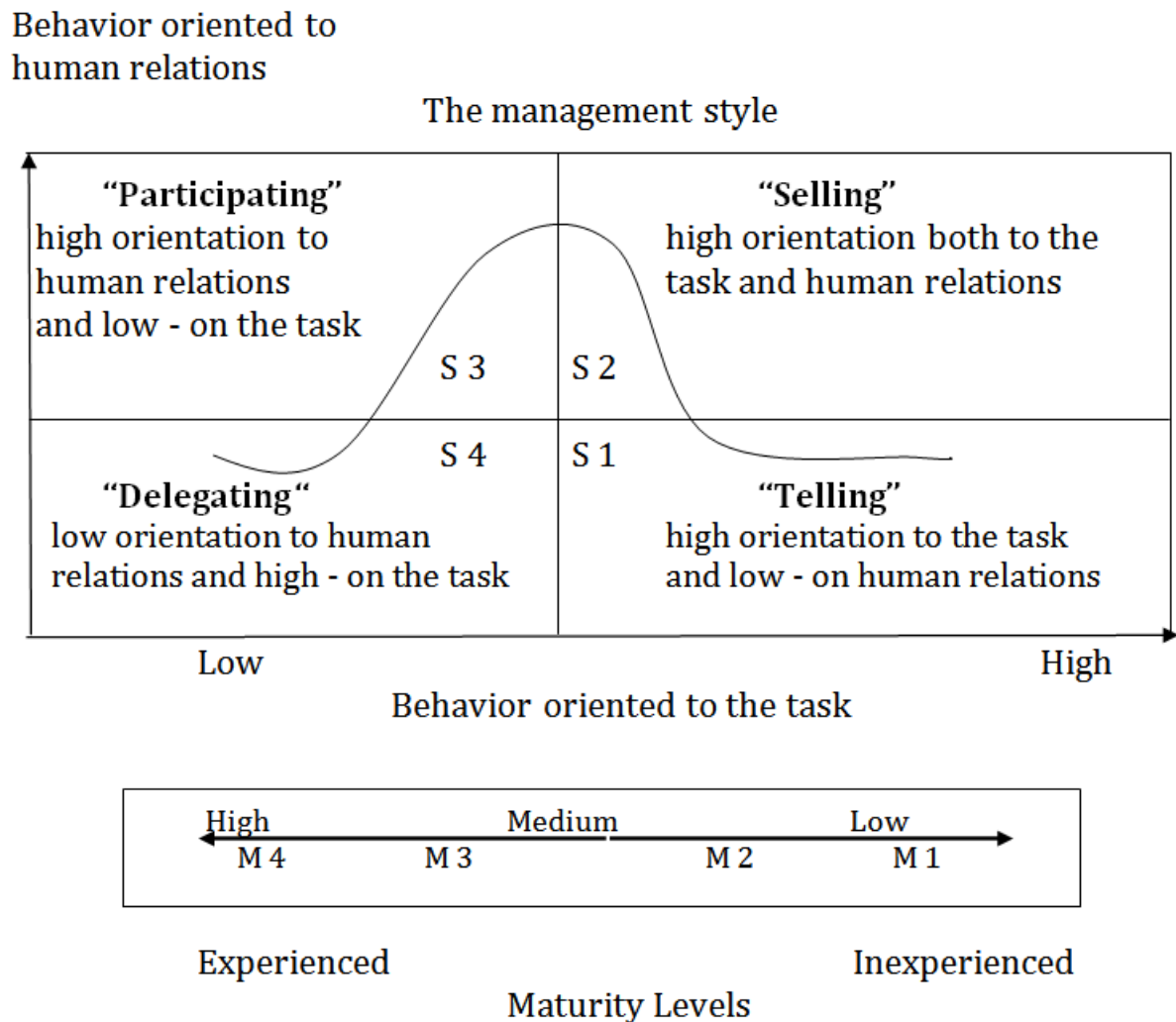


Figure 2.7 – The Situational Model by Paul Hersey and Ken Blanchard

The first style S1 is a high degree of orientation to the task and low – to human relations. This style is called "Telling"; it is for employees with the low level of maturity (M1) because employees neither want nor able to be responsible for a certain task, and the corresponding instructions, guidance and strict control are required for them. This style of management is appropriate in this case.

The second style S2 – "Selling" – implies that the style of a leader to a greater degree is oriented both to the task and human relations. In this situation subordinates want to have responsibility, but they cannot because they possess the middle level of maturity (M2). Thus, the leader

chooses behaviour, oriented to the task, to give exact instructions to his employees how to do the work. At the same time the leader supports their desire and enthusiasm to perform the task.

The third style S3 is characterized by an average high degree of maturity of performers (M3). In this situation employees can but do not want to be responsible for performing the work. For a leader combining the low degree of orientation to the task and high degree to human relations, the style based on participation of subordinates in decision-making will be most suitable because the employees know how the work should be performed and they do not require the exact instructions. In fact, the leader and his employees make decision together.

The fourth style S4 is characterized by a high degree of maturity of performers (M4). In this situation employees can and want to have responsibility. Here the style of delegation befits more than all others, and the behaviour of the leader can combine a high degree of orientation to the task and low to human relations. This style is appropriate during the work with mature performers, since the employees know what and how to do and they are aware of their high degree of involvement in the task. As a result, the leader allows his employees to act themselves: they need neither support nor instructions, as they are able to do everything themselves in relation to each other.

As well as other situational models, the life cycle model by Hersey and Blanchard recommends a flexible, adaptive style of management.

A decision-making model by Victor Vroom and Phillip Yetton is a situation model and concentrates attention on the process of decision making. Depending on a situation, features of the staff and the character of problem five styles of management can be used:

- 1 – a leader makes decision on the basis of the current information;
- 2 – a leader tells his subordinates the essence of problem, listens to their opinions and makes his decision;
- 3 – a leader tells his subordinates about the problem, summarizes their opinions and taking them into account, makes his own decision;
- 4 – a leader together with his workers discusses a problem and a general idea is produced as a result;
- 5 – a leader constantly works together with the group, which either makes a collective decision or accept the best one regardless of the author.

When choosing the style of management the following basic criteria are used:

- availability of sufficient information and experience of employees;
- the level of requirements to the decision;
- clearness and structuring of a problem;
- the degree of the employees' involvement to the problems of organization and the necessity to co-ordinate decisions with them;
- probability that the individual decision of a leader will get encouragement of performers;
- the personal interest of performers in achieving the aims;
- the degree of probability of starting conflicts between the employees as a result of decision making.

The successful choice of the management style in great measure determines the social and psychological stability of the staff.

In different periods in the pharmacy network the sociological research of social and psychological aspects in the management of labour collectives was carried out, the causes of conflicts, turnover of the staff were analyzed.

The investigation testify that well-knit team differ in stability of the composition: the number of workers interested in changing their work, is 10-15%, while in the loosely-knit teams it is 50-60% (the potential turnover of the staff).

The social and psychological climate in a group presents the culture of mutual relations and satisfaction by the mutual labour activity. It forms horizontal and vertical mutual relations.

The analysis of the situation in pharmacies with the low level of vertical and horizontal mutual relations shows that the half of employees in general dislikes to work in a pharmacy, only 12-16% workers consider by their collectives good, here only a half of them considers the work to be respected in the society.

In these pharmacies there are too many organizational defects in the equipment of the working places, in organization of shifts of work. The load is divided unevenly, the process of work is unrhythmic.

The cause of such trouble is in the weak management of the pharmacies. More than half of employees marked the unsatisfactory state of relationships with their leaders; almost all are not satisfied by the methods of management applied. In particular, the lack of planning the work and introduce innovations, the absence of moderation in behaviour, obligation in keeping the word and self-criticism were marked. Thus, the heads were not the real leaders among the staff.

Meantime the high authority of the leaders in the pharmacies, where the considerable percent of workers is satisfied with relationships with their managers, forms such features of personality as enthusiasm for work, proficiency, diplomacy, honesty, good organization, even temper; the employees also appropriate modesty of the leaders, their confidence and demand to themselves.

## 2.7. EXTERNAL ENVIRONMENT OF PHARMACEUTICAL ORGANIZATIONS

In order to achieve success leaders, first of all, focus their attention on their organization, its internal variables. However, as open systems organizations depend on forces, acting in the external environment.

Taking into account a variety and changeability of the external world, leaders should limit the effect of the external environment only by those aspects, which the success of the organization greatly depends on. One of the methods to determine and consider the factors influencing on the organization consists in distribution of them into two groups: the factors of direct influence and the factors of indirect influence.

The environment of direct influence includes factors, which have a direct influence on the activity of an organization (Fig. 2.8).

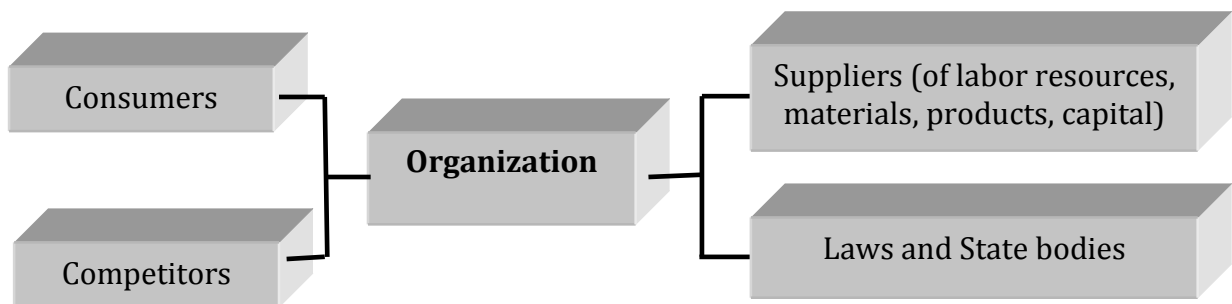


Figure 2.8 – The environment of direct influence on the activity of the organization

The environment of indirect influence includes factors which do not have a direct influence on the activity of the organization, but affect it (Fig. 2.9).

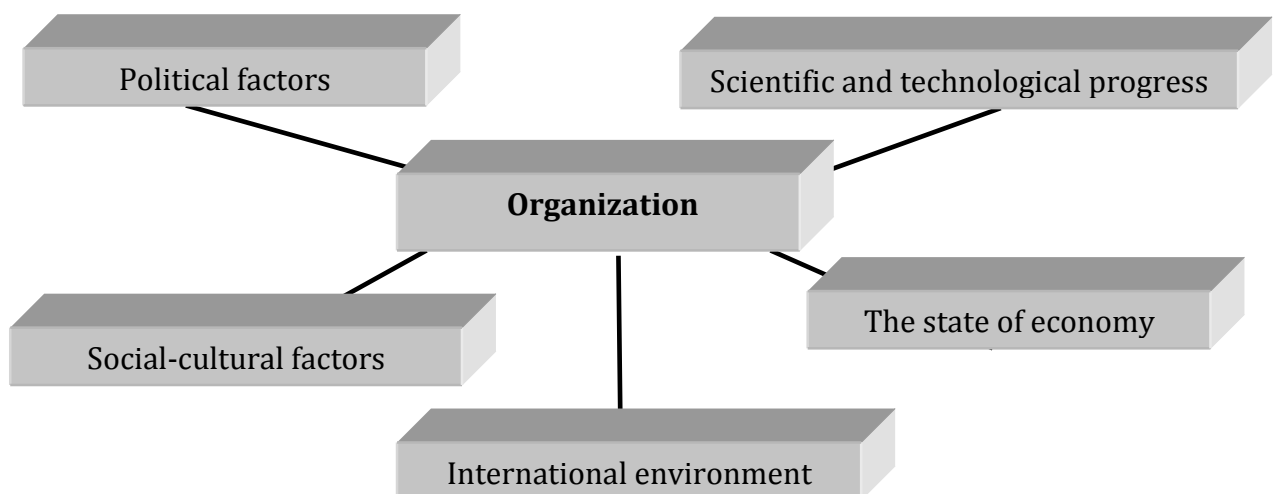


Figure 2.9 – The environment of indirect influence on the activity of the organization

In spite of variety of constituents, the external environment has a number of general characteristics.

**The interconnection of factors** of the external environment is the level of strength, with which the change of one factor acts upon other factors.

For example, the increase of drug import influences on the level of technologies, innovative policy, the structure of the product assortment of domestic pharmacy institutions, economy of pharmaceutical establishments, quality of medicinal provision of the population. The increase of prices on mineral resources used as sources of power and the raw material affect the general price increase, including the price for medicines.

**Complexity** of the external environment is the number of factors, vastly influencing upon the activity of an organization. In more difficult terms there will be an organization using numerous and different technologies and having many suppliers.

**Mobility** of the external environment is the rate of changes in the environment of an organization.

The external environment of pharmaceutical enterprises is especially mobile. Taking into account complexity of functioning of an organization in the conditions of the high-mobile environment, producers, wholesale firms, pharmacies or their structural subdivisions must have various information to make effective decisions in relation to the internal variables.

**Uncertainty** of the external environment is the amount of information an organization has and the level of confidence in this information. If there is insufficient information or there are doubts in relation to its exactness, the environment is more indefinite than in the case when there is adequate information and there are grounds to consider it probabilistic. Hence, the more indefinite external environment is, the more difficult is to make effective decisions.

The characteristics given above describe both of factors direct and indirect influence. Let describe each of them in more details.

**Suppliers** are one of the major factors of direct influence. Suppliers of materials and the finished products, capital and labour resources are distinguished.

The domestic suppliers of medicines and items of the medical consumption for the pharmaceutical market of Ukraine are pharmaceutical enterprises, pharmaceutical

factories, as well as enterprises and associations of medical equipment, glass and plastics, meat and milk, food, woodworking, light industry, production of building materials (gypsum, gypseous bandages), enterprises of oil-processing industry (surgical gloves, icecaps, tourniquets), enterprises on processing of medicinal plant raw material, etc. In addition, over 300 foreign suppliers of pharmaceutical products operate at the pharmaceutical market of Ukraine.

Decentralization of deliveries promoted a considerable expansion of the suppliers' network of pharmaceutical enterprises.

Multi-sided activity of pharmaceutical organizations requires also intercommunication with the suppliers of different auxiliary materials, electric power, heat, water, packing materials, equipment, marketing, consulting, municipal and transport services. Increase and development of a pharmaceutical organization depends also on the suppliers of capital or financial resources. They are banks, insurance companies, shareholders, investment funds, sponsors.

To implement tasks connected with achievement of the organization purposes, the qualified specialists of different types are needed. Without the personnel capable to use complex technology, capital and materials it is impossible to solve the question of profitability of the enterprise. Today talented managers, economists, programmers, developers of the information systems and others are required.

At present there have been changes in forming of labour resources, the market of the labour force and the structure of positions in pharmaceutical organizations are expanded.

In conditions of market relations the state should pursue an active social policy: providing the social privileges of young specialists, determination of basic social guarantees, mechanisms of their implementation and function of providing the social support to people who become unemployed because of restructuring of enterprises.

Not less important factors of direct influence are laws and state bodies (regulators). Every organization has the legal status, which determines the order of its activity, kinds and sizes of the taxes paid. But the actually operating mechanism of management in the organization is determined by cognition and correctness of laws application in specific conditions and at the different levels of management. Taking into account the action of objective laws the strategy and the tactic of management in the organization is developed; they are based in accordance with the law or complex of laws in their interrelations.

There is the list of some laws of Ukraine, which are common for all enterprises and organizations:

- Economic code of Ukraine;
- Law of Ukraine "About Property";
- Law of Ukraine "About State Registration of Legal Entities and Physical Persons – Entrepreneurs";
- Labour Code of Ukraine;
- Law of Ukraine "About Employment of Population";
- Law of Ukraine "About Value-added Tax";
- Law of Ukraine "About Licensing of Some Types of Economic Activity";
- Law of Ukraine "About Taxation of Enterprises' Income ";
- Law of Ukraine "About Foreign Economic Activity";
- Law of Ukraine "About Banks and Bank Activity";
- Law of Ukraine "About Advertising";
- Law of Ukraine "About Economic Societies";
- Law of Ukraine "About Bankruptcy";
- Law of Ukraine "About Protection of Consumer's Rights";
- Law of Ukraine "About Standardization";
- Law of Ukraine "About Innovative Activity";

The activity of institutions and organizations of public health is also regulated by the Fundamentals of legislation of Ukraine "About a Healthcare"; by the law of Ukraine "About Medicines"; by the law of Ukraine "About Turnover of Narcotic Medicines, Psychotropic substances, Their Analogs and Precursors in Ukraine " and by other laws and by-laws.

Organizations should observe not only laws, but also requirements of the state regulation authorities. These bodies provide the forced implementation of laws in the corresponding spheres of the competence, and also offer the own requirements, which have the legal force. Co-ordination of the activity of enterprises concerning the observance of laws is carried out by Ministries and authorized bodies.

In the system of the medicinal provision of the population regulators, which manage the activity of pharmaceutical organizations, are:

- Ministry of Public Health of Ukraine;
- State Service of medicines and items for medical application;
- State Inspection for Quality Control of Medicines with the territorial (regional) state inspections;

- State Pharmacological Center of the Ministry of Public Health of Ukraine;
- State Expert Pharmacopoeian Center.

Legislative and control functions in the financial sphere of the activity of enterprises and organizations are performed by financial organs and banks. At the Cabinet of Ministers of Ukraine the State Tax Service is established, it is presented by the Chief State tax Administration and State Tax Administrations of regions, districts, cities.

The instrument of the money and credit regulation is the National bank of Ukraine, its branches and departments. Their functions are control after the amount of money and credit in economy. Commercial banks include the functions of savings banks, insurance companies, they give credits to the clients, loans on the real estate and other operations.

A certain regulative role in the financial sphere is executed by the state and non-state funds. The state funds are:

- State Property Fund of Ukraine;
- Fund of Community Property;
- Fund of Assistance to Employment of the Population;
- Fund of Social Insurance of the Temporal Disability;
- Fund of Social Insurance from an Industrial Accident and Professional Diseases;
- Pension Fund;
- Fund of Liquidation of Consequences of the Accident at Chernobyl atomic power plant.

Since the process of management restructuring of the economic activity and individual spheres of the economy proceeds in Ukraine, there are permanent changes in the structure of administrative bodies.

Survival and existence of an organization depends on its ability to find the consumers of the results of its activity and satisfy their requirements.

**Consumers** deciding what goods and services are desirable for them and what price is suitable, determine the program of the activity for the organization. The necessity of satisfaction of consumers needs influences on co-operation of the organization with the suppliers of materials and labour resources. There are two groups of consumers of economic subjects: organizations-consumers and end-users or customers. Consumers as an external factor influence practically on all other variables of an organization.



With pharmaceutical market development the modern structure of organizations-consumers of pharmaceutical enterprises has been formed. Among them there are wholesale-intermediary firms, pharmaceutical depots and warehouses, economic wholesale-retail associations (municipal enterprises, joint-stock companies, holdings, business concerns, corporations etc.), individual pharmacies, medical preventive institutions, etc.

Thus, advantages of pharmaceutical products distribution through wholesale structures should be saved.

The peculiarities of organizations-consumers of products of foreign pharmaceutical firms confirm it. In Great Britain 80% of all medicines are distributed through wholesale firms, in Sweden – wholesale distribution through the state warehouse is 80% of medicines and through the private sector – 20%, in the USA wholesalers are 50%, pharmacies – 27%, medical preventive institutions – 12%, government agencies – 8%, private doctors – of 3%.

Pharmaceutical enterprises of different forms of ownership in Ukraine have the range of consumers, including health, medical and preventive institutions, organizations and institutions of nonmedical type.

The features of consumption of medicines, and the composition of individual consumers depend on different factors such as morbidity, demographic structure of the population, the level of profits, climate and geographical conditions, social environment, the number and the type of medical preventive institutions, the number of doctors, etc.

The leaders of enterprises and organizations should understand that to survive it is necessary to satisfy the consumers needs as effectively as it is done by competitors. Therefore, as a rule, not consumers, but competitors determine the results of the organization activity, especially quality of products and services, their novelty and prices. Nevertheless consumers are not only the object of rivalry of organizations. They can conduct the competitive activity for labour resources, materials, capital. Such internal factors as labour conditions, labour payment and others depend on the reaction on a competition.

A fair competition among businessmen is the basis of the market economy. Pressure of the competitors is a stimulus for more productive work. Businessmen not only aim to improve their production, but also to work out a strategy, which allows to be insured against bankruptcy. There is secrecy of methods of production, patenting, reasonable differentiation of the product assortment, advertising. All these measures must correspond to moral and ethical requirements. The state control should not dis-

tort the essence of competition. Only under such conditions it is possible to achieve considerable success in market management.

The factors of the environment of indirect influence usually do not affect the work of the organization significantly as the factors of direct influence. But leaders should take them into account.

**Technology** is simultaneously an internal variable and a considerable external factor, which is considered within the framework of scientific and technological progress. A technological behaviour influences on efficiency of production and sale of products, the product aging rate, storage and distribution of information, as well as on the character of service and new products, which consumers expect from the organization. In the last decades there is a tendency of considerable acceleration of change of technologies. Substantial innovations deeply affected the life of organizations: computer, laser, microwave, semiconductor technologies, satellite communication, atomic energy, gene engineering, obtaining of synthetic fuel and food products.

In pharmaceutical technology there are innovations increasing the yield of active substances from the raw material (the extract of goose-grass, sea-buckthorn oil), biotechnology, creation of medicines on the basis of liposome's, etc.

Management of an organization should be able to estimate the influence of general changes in the **state of economy** on the activity of the organization. So, when forecasting inflation leaders, as a rule, choose increase of resources supplies and setting of the fixed labour payment to restrain the raise of expenses in the nearest future. If the fallout of the economic activity is forecasted, the organization can give preference to decrease of supplies of finished products, since difficulties of their sale can appear, or to decrease the number of workers, postpone plans on expansion of production.

Today there is such a situation in economy when pharmaceutical enterprises should take into account the sharpness of competition at the market, the level of profits of the population, their dynamics and distribution, market saturation, current prices, policy of taxation, etc.

Functioning of pharmaceutical enterprises of different forms of ownership promotes improvement of providing the population with drugs. It is connected with that the economic effect of the organization corresponds directly to increase of the welfare level of pharmaceutical workers and increase of the social return, i.e. the quality of drug provision of the population.

**Social-cultural factors** influence on the activity of the organization. They are attitudes, vital values and traditions. For example, in the USA offering a bribe with the purpose of receiving of advantageous contract or political benefits, favourite instead of support of competence, distribution of negative rumours as for the competitor are considered as unethical and amoral actions. In some other countries, however, the similar practice is considered to be normal and widely used by enterprises since the social-cultural environment is different.

Social-cultural factors influence also on products or services, which are the results of the organization activity. It is explained by that the consumers making decision about a purchase follow the criteria of evaluation of a product or service depending on their level of culture, social attitude and values, lifestyle, etc. (Fig. 2.10).

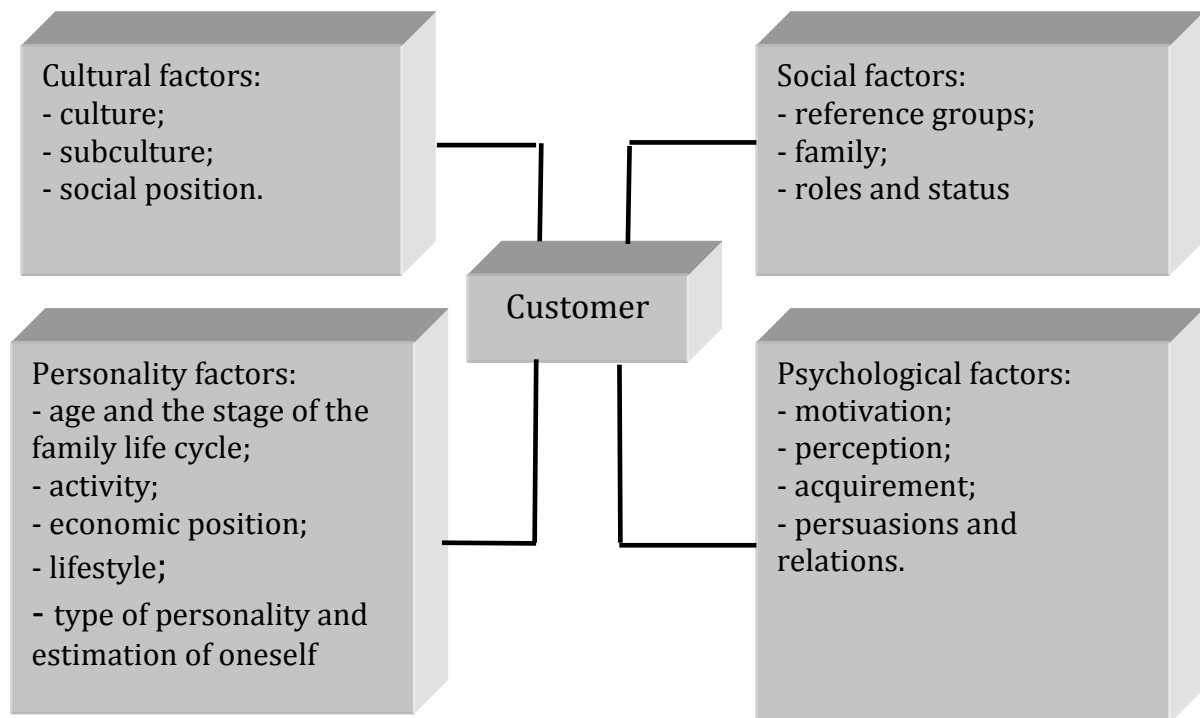


Figure 2.10 – Social-cultural factors influencing on behaviour of customers

**Political factors** have the special importance for leaders. One of them is the mood of administration, legislative bodies and courts in relation to business. In democratic society all these moods influence on such actions of the government as taxation of the enterprise's income, establishment of tax rebates or trade customs privileges, legislation of consumers' protection, control of prices and salary.

The factor of political stability of a country-importer is of a great importance for companies carrying out operations or having sale markets in other

countries. For a foreign investor or exporter of products the political changes can result in limitation of ownership rights, establishment of the special customs duty, difficulty of export of money got as an income, etc.

On the other hand, policy can be also changed in direction, which is favourable for investors if there is a need in a capital coming from abroad.

For all organizations as a factor of the environment of indirect influence **the relations with public** of that region where they function are important. It is explained by existence in every region of specific laws and directions concerning business. Therefore, organizations are interested in establishing good relations with public. It can be revealed in the form of financing of public health and education, creation of different funds, support of the municipal programs, etc.

The factors of the external environment both of direct and indirect influence affect the activity of all organizations at any extent.

At the same time **the environment of organizations working at the international level** differs in increased complexity. It is stipulated by unique complex of factors, which characterize every country (economy, culture, labour and material resources, laws, public institutions, political stability, the level of technological development). When performing the realization of functions of planning, organization, stimulation and control leaders should take into account such differences.

International business management is spread to the spheres of activity, related to transfer of resources, products, services and labour force across the national borders. Among products there are specific components, products and semi-products. Among services there are record-keeping, legal and bank activity. Specialists, first of all, technical personnel and managers are moved.

Enterprises and organizations can enter the international markets by different ways. The most widespread way are export and import, licensing, creation of joint ventures, direct capital investments, multinational corporations.

Export and import of products and services are the simplest method of entry into the international markets. Generally, export is the product sale in other countries, it is different from its distribution at the own, domestic market by conditions of sale, traditions, customs, language, etc. For co-ordination of export enterprises-exporters use either own independent trading companies, or intermediary service for the operative conclusion of agreements with foreign customers.

Pharmaceutical firms of the developed countries export a great number of medicines: the USA – over 50%, Great Britain – about 70%, Sweden – over 50%, Japan – approximately 20%.

Import is bringing commodities and services with additional payment for them to the country. For most countries exportation and importation are the basic source of international profits and expenses.

Licensing consists in that an enterprise can sell a license for manufacturing the products to a foreign company or to the state by means of the agreement about the licensed payments. In accordance with this mechanism an enterprise or a company gives the right to use patents or technology, production secrets to the foreign company or the state, and it also gives technological and administrative support. A foreign company or state, in its turn, compensates the expenses of an enterprise or a company in the form the licensed payments or paying for services.

Organization of a joint venture consists in that two or more private companies or the state invest in capital goods. Participants are equal partners in business and get an income depending on the block of share of every person in the joint venture.

Direct capital investments are the variety of international business if the company management decides to produce the products of the firm abroad and to have the complete control of production, marketing, finances and other key functions with the purpose of profit.

Multinational corporations own and manage enterprises in other countries. One hundred of the greatest multinational corporations of the world have branches more than in 20 countries of the world. Many of them produce medicines, chemical products.

To approach the products and services to the requirements of the world market, the leaders of enterprises and organizations must understand and take into account the factors of the international environment. In the composition of the environment of the international business it is possible to distinguish such basic factors as culture, economy, legislation, state control and political situation.

Under culture it should be understood to mean the system of values the dominating in society, beliefs, customs and habits, which are prevalent. To achieve a great success of the organization in the international business, the leaders should distinguish the cultural differences in different coun-

tries and thus properly change the behaviour in interpersonal contacts, style and methods of business practice and management.

A language is another aspect of culture, which often creates problems for an organization having business abroad. Therefore, international trade contractors must prevent obstacles on the way of information exchange conditioned by different understanding of knowledge, gestures in interacting cultures.

Firms working in the international environment should analyze the economic conditions and tendencies and know the economy of those countries where they conduct business.

Economic factors influencing on conducting business abroad are the wage level, transport expenses, the course of currency exchange, inflation and rates of bank percent, gross national product, taxation and the general level of the economic development. The international economic environment includes some factors, which do not have the economic nature; there are the population, the level of literacy and professional training, quality and the amount of natural resources, the level of development of technology, features of the competitive activity.

Firms, which act on international markets, are forced to consider a great number of laws and regulative acts dealing with such issues as taxation, patents, labour relations, standards for the finished products, pricing and providing information to public institutions.

Both the international market and the domestic market are under the influence of political events and decisions. Political instability, the change of the political regime increase uncertainty for an exporter or a foreign investor. Therefore, political factors should be estimated before the investment of capital or assuming obligations concerning the sale. As far as the new information comes and the change of circumstances, it is necessary to correct the corresponding prognoses.

Under the influence of factors of the external environment in the activity of Ukrainian pharmaceutical organizations new tendencies and phenomena have appeared:

- democratization of management;
- development of independence and the principles of management of pharmaceutical enterprises with the municipal form of ownership;
- appearance of new forms of management in the field of production and sales of medicines;
- creation and introduction of new technologies of drug production;

- intensification of competition;
- pharmaceutical market saturation by medicines;
- increase of prices on medicines;
- The change of the structure and total sum of enterprises expenses conditioned by introduction of international standards;
- forming of the system of insurance medicine and prescribing;
- changes in the structure of suppliers of pharmaceutical products;
- the change of the financial and economic state of pharmacies;
- the change of crediting conditions;
- reorganization of public bodies in Ukraine for management and control of the pharmaceutical activity, etc.

The external environment changes quickly and in unforeseen directions, therefore, it is necessary to forecast possible changes carefully based on the scientific analytical approach to form timely the reaction. The main thing for the leader of a pharmaceutical organization is to form directions and stages of the enterprise development, outline transformations in its structure and organization of economic relations using measures and motive inducing the employees to move the way chosen, restraining limiting factors, using the possibility to remove their influence or find a compromise decision. If such analysis is carried out constantly, then it is possible to obtain a stable progress of the enterprise (both economic and social) even in modern conditions when the uncertainty of the external environment is increased sharply.

### **Questions for out-of-class work**

1. Give a definition of organization.
2. Name organizations of the pharmaceutical system, which are management objects.
3. List internal variables of an organization.
4. Describe internal variables and their interrelation by the example of a pharmacy.
5. List components of the internal environment of an organization.
6. Describe the basic criteria of the organization's successful activity.
7. Which are the basic directions of effective organization of labour in pharmacy institutions?
8. What basic components of organization of the leader's work?
9. What requirements are required for a leader?
10. List the functions of the head of a pharmacy and his/her deputy.
11. Describe factors influencing on efficiency of the leader's work (the head of a pharmacy).
12. What is the essence of self-management?
13. What do influence and power consist in?
14. Which are the approaches to understanding of the essence of leadership?
15. List the forms of power.

16. Give description of the methods of direct influence.
17. List the indirect methods of management and specify their role in the general management system.
18. Characterize social psychological styles of management.
19. Give descriptions of multi-dimensional styles of management.
20. What of two groups are the factors of the external environment of the organization divided into?
21. What are the general characteristics of the external environment?
22. List the basic factors of the environment of direct influence on the organization.
23. Give description of suppliers as a factor of the direct influence environment.
24. What basic laws and state bodies determine the mechanism of management of the organization in Ukraine?
25. List Laws and Statutes regulating the activity of establishments and organizations of health care in Ukraine.
26. Give description of consumers as a factor of the direct influence environment.
27. What factors influence on the drug consumption?
28. Describe competitors as a factor of direct influence environment.
29. List basic factors of the indirect influence environment.
30. What role does "technology" play for the organization as a factor of the indirect influence environment? Specify basic directions of development of modern pharmaceutical technologies.
31. Describe the economic and political factors of the indirect influence environment.
32. What is the role of social cultural factors in the organization's activity?
33. Describe the international situation as a factor of the external environment. What are the features of international pharmaceutical business management?

## Tests

1. Which definition reflect the concept "organization" from the point of view of management?
  - A. Internal orderliness, coordination, interaction of more or less differentiated and automated parts of the whole conditioned by its structure
  - B. Complex of processes or actions leading to formation or improvement of interrelations between parts of the whole caused by its structure
  - C. Group of individuals who work together to achieve the goals or objectives that are important to these individuals



2. *Choose from the groups of elements listed the internal variables of an organization:*

- A. Purposes, tasks, people, capital, information
- B. Purposes, tasks, people, technologies, structure
- C. Purposes, structure, people, resources
- D. Tasks, capital, technologies, structure, people
- E. Tasks, information, technologies, capital

3. *What internal variable of an organization is defined in a such way: “ ... is the work, series of works or a part of the work, which must be performed beforehand by the fixed way in a previously fixed period”?*

- A. Purpose
- B. Task
- C. Structure
- D. Technology
- E. People

4. *What internal variable of an organization does the definition correspond to: “ ... is a specific final condition or the result which the group aspires to achieve working together”?*

- A. Purposes
- B. Tasks
- C. Structure
- D. Technology
- E. People

5. *Complete the list of requirements required to the structures of management:*

- A. Manager ability
- B. Agility
- C. The presence of "feed-back"
- D. Sensitivity
- E. The real capability of leaders
- D. ...

6. *Which indicators do not belong to the successful activity of an organization?*

- A. Quality of management
- B. Efficiency of production
- C. The structure of an organization
- D. Economy of production
- E. Quality of products and services
- F. Labour productivity

7. *The analysis of what indicators of the internal environment of an organization assists its successful activity?*

- A. Marketing
- B. Structure
- C. Finances
- D. Technologies
- E. Production
- F. Labour resources
- G. Image

8. *What concept does the definition correspond to: "... is the ability to influence on individuals and groups directing their efforts to achieve the organization's purpose"?*

9. *Complete the list of approaches to understanding of the essence of leadership:*

- A. From position of the personal qualities
- B. Situational
- C. ...

10. *What concept does the definition correspond to: "... is any behaviour of one person, who changes behaviour, relations, feelings of another person"?*

11. *What concept does the definition correspond to: "... is the possibility to influence on behaviour of others"?*

12. *Complete the list of the leader's forms of power:*

- A. Power, based on a compulsion or fear
- B. Power, based on a reward
- C. Standard or power of example
- D. ...
- E. Traditional or legal power
- F. ...

13. *Choose from the listed methods of management those concerning the methods of direct influence:*

- A. Scientific technological and economic forecasting
- B. Legal influence
- C. Statistics
- D. Sociological research
- E. Organizational influence

14. *Which method of management is the method of indirect influence?*

- A. Economic
- B. Organizational
- C. Sociological researches
- D. Legal influence
- E. Cybernetics

15. *What is the synonym of the liberal style of management?*

- A. Autocratic
- B. Democratic
- C. The style of non-interference

16. *What is the synonym of the distance style of management?*

- A. Autocratic
- B. Democratic
- C. The style of non-interference

17. *What is the synonym of the delegating style of management?*

- A. Autocratic
- B. Democratic
- C. The style of non-interference

18. *What style of management is based on such approaches: management is focused on the task and increase of labour productivity; management is concentrated to the person, increase of labour productivity owing to improvement of human relations?*

- A. Liberal
- B. Bidimensional
- C. Democratic
- D. Directive

19. *Which factors are the factors of direct influence of the external environment?*

- A. State of economy
- B. Competitors
- C. Political factors
- D. Scientific and technological progress
- E. Social cultural factors
- F. Laws and state bodies

*20. Which factors are the factors of indirect influence of the external environment?*

- A. Suppliers
- B. Consumers
- C. Scientific and technological progress
- D. The state of economy
- E. Competitors

*21. Complete the list of characteristics of the external environment:*

- A. Interconnection of factors
- B. Complexity
- C. Mobility
- D. ...

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## CHAPTER 3

# FUNCTIONS OF MANAGEMENT. MANAGEMENT OF THE DECISION-MAKING PROCESS

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This chapter describes the functions of management and management of the decision-making process in their implementation. The information mentioned below will help to understand the essence of strategic planning and its importance in the success of a organization, the psychological sides of motivation, the nature of the decision-making process, to get a general idea about methods of improving the efficiency and the main factors influencing on the decision-making process.

### 3.1. STRATEGIC PLANNING, ITS NATURE AND STAGES

The process approach considers management as series of continuous interrelated actions, each of which, in turn, is also a process. Such actions are called **management functions**. Among the general management functions the main functions are considered to be planning, organization, motivation, control combined by means of communication and decision-making (Fig. 3.1).

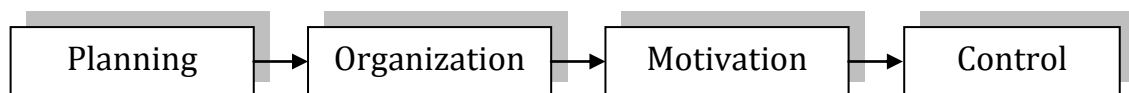


Figure 3.1 – Functions of management

**Planning** as a function is one of the ways, in which management provides a single direction of the efforts of all members of the organization to achieve their common goals. Planning involves formation of goals for definite perspective, ways of their implementation, and resource support. In accordance with the tasks that the company has set itself for the future, planning can be long-term, medium-term and short-term.

The planning process is usually carried out by individual levels of management. Thus, the long-term strategic planning is the task of top-management, tactical plans (medium) develop by the leaders of the mid-

middle-level management and short-term planning by the leaders of the lower level. In providing the enterprise perspective, stable positions at the market strategic planning is of particular important.

**Strategic planning** is the process of determining the organization's objectives and their changes, resources to achieve them, and policies for the acquisition and use of these resources.

The strategic planning considers four types of management:

- allocation of resources;
- adaptation to the environment;
- internal coordination;
- understanding of organizational strategies or organizational strategic foresight.

The process of **resource allocation** involves the allocation of scarce organizational resources such as funds, scarce managerial talent, technological expertise.

**Adaptation to the environment** includes all of the strategic nature that improve the relationship with the organization and its environment. Companies need an effective tool to adaptation for opportunities and dangers. Strategic planning promotes favourable opportunities for the organization by means of development of the improved production systems, by interaction with public authorities and the society as a whole.

**Internal coordination** is coordination of strategic activities to show the strengths and weaknesses of the company to achieve effective integration of internal operations.

**Organizational strategic foresight** involves development of the managers thinking on the basis of the organization formation taking into account the experience of the previous strategic decisions. It allows the organization to adjust its strategic direction and enhance competency in the field of strategic management.

The strategy is a detailed, comprehensive and integrated plan designed to provide implementation of the organization's mission and achieve its objectives. Therefore:

- the strategy is formulated and developed, as a rule, by top management;
- the implementation of the strategy involving all levels of management;
- the strategy is developed for the perspective of the corporation, not only for a specific individual;

- the strategic plan should be supported by research and actual data (data collection and analysis of the industry, market, competition and other factors);

- the strategic plan gives personality and productivity to the firm;

- the strategic plan should be designed to be flexible enough. It should be a program that directs the activities of the firm.

Planning in some way influence on the success of the organization, but it is not a guarantor. However, strategic planning allows us to predict future problems and opportunities, provides senior management the means of creating a plan for a long period of time, provides the basis for decision-making while reducing the risk of making wrong decisions because of inaccurate information, creates the unity of purposes within the organization.

The results of sociological research in the USA have shown that firms using the strategic plan exceeded the results of other companies of indicators such as return on investment, income on equity and earnings growth per share. In addition, these firms have more productive work, and job satisfaction of the employees.

Strategic planning is a complex sequential process providing the following steps (Fig. 3.2):

1. Determination of the organization's mission

2. Goals setting

3. Evaluation and analysis of the external environment

4. Evaluation and analysis of internal components of the organization

5. Evaluation of the strategy alternatives and the choice of the strategy

6. Implementation of the strategic plan

7. A final inspection.

The mission of the organization is the basic common goal of the organization, the main reason for its existence. In the modern market conditions the mission of any organization is to satisfy the needs of the market. Mission details the status of the firm and provides direction and guidelines for setting goals and strategies at different organizational levels.

Thus, the mission of a pharmacy is to satisfy the needs of the population, health and other organizations in drugs and health products.

Purpose (goals, objectives) is the particular final state or a desired result, which the organization seeks to achieve. The objectives are formed and set on based the common mission of the organization.

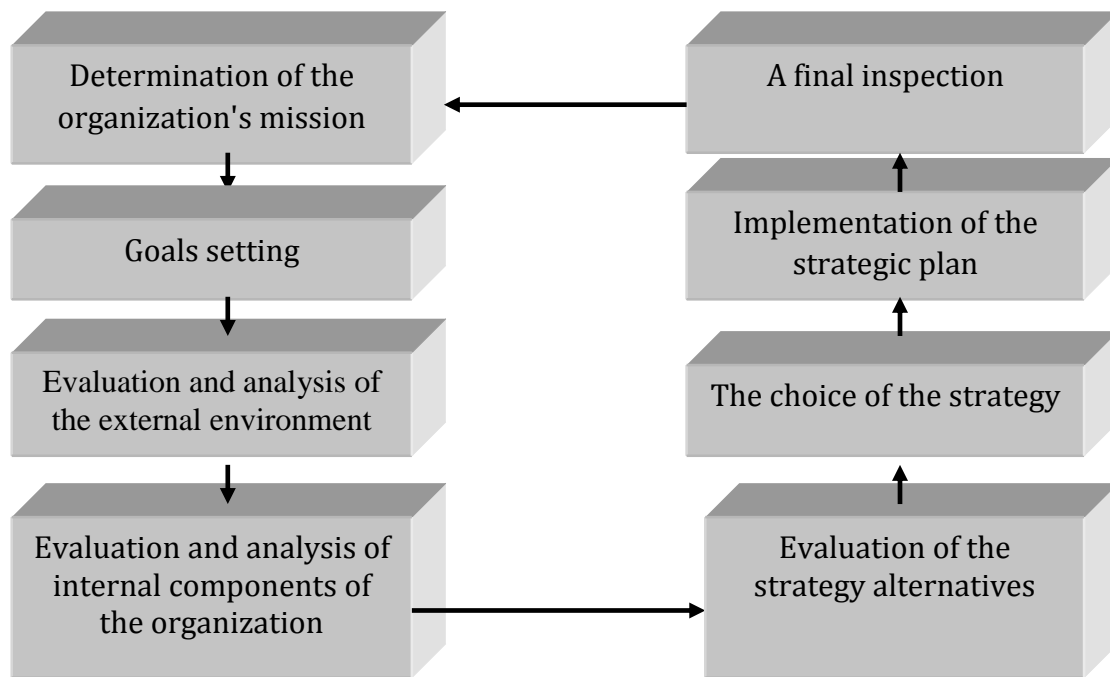


Figure 3.2 – Stages of strategic planning

To contribute to the success of the mission, goals must meet certain requirements. They must be suitable to SMART-system. They are:

*Specific* – indicator should be formulated as accurately as possible without the use of common phrases and abstract notions.

*Measurable* – in the formulation of the indicator clear criteria for its implementation must be present.

*Achieved / Attractive / Agreed* – the indicator should be realistic / it has to motivate someone who will do it, to be interesting for him / the indicator should be discussed and agreed with the person to whom it is put.

*Resourced* – when setting goals it is necessary to consider the resources that are needed for its implementation.

*Timed* – in the formulation of the indicator exact date of its execution must be present.

The overall objectives of pharmaceutical organizations are profitability, market share, sales of medicines and parapharmaceutical goods, labour productivity, development and introduction of new drugs, the restructuring of enterprises, etc.

In a competitive environment pharmacy enterprises set goals to increase the number of clients or customers (especially regular), the average cost of their purchases, reduce complaints, improve the reputation of the pharmacy, expansion of additional services provided by pharmacies, creation databases with the information about customers, etc.



After setting the mission and goals of the organization the diagnostic phase of the strategic planning process begins, the first step of which is to study and evaluate the external environment. Evaluation of the environment is based on three criteria:

1. Evaluation of the changes, which affect different aspects of the current strategy. For example, in the strategic plan, the firm must assess the changes in prices for the raw material manufactured by other companies.

2. Identification of factors representing a threat to the current strategy of the company, among which competitors are considered to be major ones.

3. Identification of factors that give more opportunities to achieve firm wide goals by adjusting the plan.

For successful planning of the organization it is important to understand not only the external factors, but also the internal potentials and limitations. Analysis of internal factors is carried out in five areas: marketing, finance (accounting), operations, human resources, culture and image of the organization.

Bringing internal strengths and weaknesses in accordance with external threats and opportunities, the organization is ready to choose the appropriate strategic alternatives:

1. *The limited growth*, which is characterized by setting purposes according to the principle "from achieved" adjusted taking inflation into account. The strategy of the limited growth is applied in mature industries with the static technology when the organization is mainly satisfied with its situation. If the firm was profitable in the past, holding to the strategy of the limited growth, it will use it in the future.

2. *Growth* is the strategy, which is implemented by a significant increase of the level of annual and long-term goals over the level of the indicators of the previous year. It is used in dynamic industries with a rapidly changing technology.

3. *Reduction* is the strategy in which the level is set below the objectives achieved in the past. This alternative is chosen less frequently and it is considered a last resort strategy. Under the alternative of reduction there may be three variants:

- liquidation – the sale of inventory and assets of the organization;
- cutting off extra – separation of departments or activities;
- reduction or reorientation.

4. The combination of all alternatives is typical for large companies that are active in several industries.

Objectively, the choice of strategic alternatives is determined by the position of the organization and its products at the market. But the strategic choice is affected by many other factors. They are:

- the level of risk that management considers to be reasonable without harm to the organization;
- knowledge of the past policies;
- the reaction to the owners is that the owners of shares often limit the flexibility of the firm's management in selecting the specific strategic alternatives;
- the time factor, since the decision in a good or a bad time can contribute to the success or failure of an organization.

Strategic planning becomes meaningful when it is implemented. Therefore, the leaders of organizations should work out more specific plans and instructions to provide the implementation of the strategic plan. The main components of this planning are tactics, policy, procedures and rules.

**Tactics** is a short-term strategy that is consistent with the overall long-term plans. A characteristic feature of tactical plans is as follows:

- tactics is developed according to the strategy;
- in contrast with the strategy, tactics is developed at the level of the middle management;
- tactics is designed for a short period of time than the strategy;
- tactical results tend to occur very quickly and easily relate to specific actions.

**Policy** is a general guide to action and decision-making that facilitates achievement of the objectives. Policy is formed over a long period and is regarded as a code of laws of the organization.

**Procedures** are expressed formally by standardized instructions describing the mode of action in a particular situation. Procedures are developed to the policy additionally and based on the experience.

A typical example of the procedure for a pharmaceutical company is the technological regulation of drug production, which reflects the specificity of the drug obtaining.

**Rules** define precisely what should be done in a specific situation, that is, rules limit the actions of the employee to ensure their performance only in a certain way.

In the activities of pharmacies there are realization of drugs prescribed by doctors; rules for drug storage, etc.

Management of the implementation of the strategic plan is carried out by using two management tools: the budget and management by objectives.

**The budget** is a method of resource allocation, expressed in a quantitative form to achieve the objectives. To compose the budget is a prerequisite of the successful organization. The process begins with a justification of the budget forecast of products sales, preparation of operating budgets of departments and subdivisions. Then the top management analyzes the budget proposals, allocates resources within the organization and forms the final budget.

**Management by objectives** is a way of integrating planning and control in the field of human resources. This management tool helps to implement the strategy by improving the relation between the goals of subordinates, managers and the whole organization. Management by objectives is considered as a process consisting of four interrelated steps:

- formation of goals;
- development of plans to achieve these goals;
- systematic monitoring, measurement, and evaluation of results;
- corrective actions to achieve the planned results.

The final stage of the strategic planning process is evaluation of the strategy by comparing results with objectives. Evaluation of the strategic planning process involves the answer to such questions as:

1. Is the strategy internally consistent with the capabilities of the organization?
2. Does the strategy have an acceptable risk?
3. Does the organization have sufficient resources to implement the strategy?
4. Does the strategy take in account external threats and opportunities?
5. Is the chosen strategy the best way to use resources of the firm?

In addition, there are a list of qualitative and quantitative criteria, which are used in the evaluation process (Table 3.1).

The evaluation process is used as a feedback mechanism to correct the strategy. To be effective evaluation should be conducted systematically and continuously covering all levels of management. In this regard, the strategy should be formulated and implemented together with the organization structure. In turn, the structure cannot develop by itself. To be effective the organization structure must follow the strategy in its development.

Table 3.1 – Quantitative and qualitative criteria for assessing the strategic plan of a company

Quantitative	Qualitative
Market share	The ability to attract highly-qualified managers
Growth of the sales volume	Expansion of services
The level of production expenses and efficiency	Improving the market knowledge
The level of sales expenses and efficiency	Reduction of risks
Turnover of the staff	Use of opportunities
Net profit	Staff satisfaction
Exchange of shares	
Rate dividends	
Revenue per share	

In a market economy, the strategic planning becomes essential for the large chemical and pharmaceutical companies, associations, business entities operating in the pharmaceutical industry. This is explained by the need to "survive" on the basis of formation of new goals and objectives, to adapt to changing environmental conditions taking into account the competition, inflation, government regulation, changes of the population incomes, etc. It is essential to develop the "pharmaceutical product – the market" strategy, which provides analysis of the possibilities of the new pharmaceutical production development, vertical integration, development of the foreign economic activity. However the main factor determining the strategy of the production program remains the need in drug discovery due to the morbidity of the population, the level of treatment and preventive care, etc.

In development of long-term strategic plans medium-term plan is drawn up for the 2-3-year period, it contains specific goals and quantitative characteristics: respect to the common nomenclature of pharmaceutical products the plans for manufacturing drug by the company, plans of development of production capacities, plans for labour and profit, etc. are developed.

Short-term planning can be calculated for a year, half a year, month, etc. At industrial enterprises such plan determines the volume of output, profit margins, etc.; for pharmaceutical companies the sales volumes of drugs and medical products are planned, the relationships with suppliers and wholesalers, as well as the level of allocations and the possibility of health insurance are taken into account.

### **3.2. THE FORMATION AND DEVELOPMENT OF THE ORGANIZATIONAL STRUCTURE OF THE PHARMACEUTICAL ENTERPRISE**

There are two meanings of the "organization" concept. The first one is a process, activity, harmonization of the interaction between people, objects and ideas. The second one is a form of manifestation of joint activities,

that is, the category "organizational structure" – a company or association, and their divisions (departments).

**Organizing** is the function of management when synchronization and combination of human, physical and financial resources take place. Therefore, organizational function helps in achievement of results which, in fact, are important for the functioning of a concern.

**Organizing** is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

There are two aspects of the organizational process. One is based on the relationship of authority, another – on the division of the organization on the departments according to its goals and strategies. The main task of a manager in this case is to choose the structure that is the best to correspond to the purposes and objectives of the organization, as well as act on its internal and external factors.

The sequence of the organizational structure development includes:

1. Division of the organization horizontally into blocks corresponding to the most important activities of the strategy (for example, departments in a pharmacy, pharmaceutical warehouse, pharmaceutical companies, etc.)

2. Establish the relation of authority positions, which allows more efficient use of specialization and avoid overloading of the managers.

3. Determination of the duties, which are fixed in job descriptions.

The organizational structure of pharmacies is given in the previous chapter. Pharmaceutical companies have, as a rule, the following structure:

- the administrative staff or top management (CEO, his deputies, the chief engineer, etc.);

- departments: planning and finance, accounting, technology department, sales department, marketing department, personnel (Human Resources) department, etc.;

- production departments (department of drugs for injections, department of tableted drugs, herbal remedies, etc.);

- Technical Control Department and the Central Laboratory.

The structure of an organization is not static. The process of organizational development includes improvement of the formal structure of the organization and involves the following steps:

- diagnosis of the management system;

- identification of the problems of the organization;

- development of the concept of reorganization;
- development of the management system after the reorganization;
- planning of the reorganization process;
- implementation of the planned activities;
- monitoring.

Organizational changes can be carried out both by internal departments or specialists, and external organizations or consultants – specialized organizations and agencies, scientists.

The modern management theory presupposes the existence of a number of alternative organizational structures. The choice of a specific organizational structure is determined by the organization goals.

The bureaucratic organizational structure is characterized by a clear division of labour, hierarchical subordination of the staff and administration, recruitment and career development of employees based on competence and an orderly system of rules and standards of the organization. These characteristics are inherent in most industrial companies, organizations, services and all types of public institutions.

However, despite they are widespread, the bureaucratic organizational structures are not devoid of negative qualities that are predetermined in a rigid behaviour, exaggerated importance of standards and rules, regulations and procedures, resulting in the loss of flexibility in operations, the inability to rapid innovation. There are several types of bureaucratic management structures: linear, functional, linear-functional, departmentalization, divisional.

In the linear structure of management (Fig. 3.3) each employee has only one line manager, from whom he receives instructions concerning all matters of the organization.

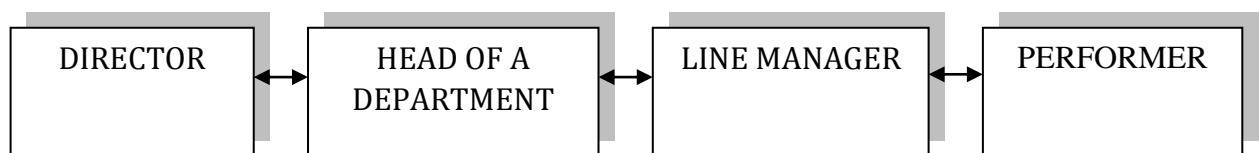


Figure 3.3 – The linear structure of an organization

The main advantages of such structures are: no distortion of the head orders, high efficiency of administration, relatively low management costs. At the same time in such type of the organizational structure, a manager must be comprehensively competent, has the required technological, regulatory, economic, marketing and other skills and knowledge.

The functional structure (Fig. 3.4) include division of the organization into separate elements, each of which has clearly defined tasks and responsibilities.

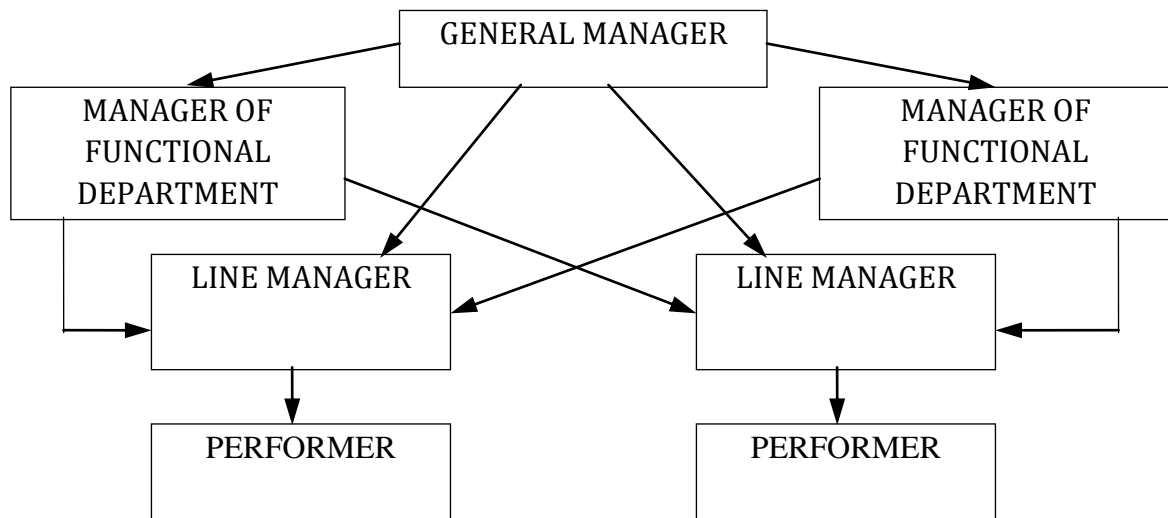


Figure 3.4 – The functional structure of an organization

Thus, the traditional function blocks of manufacturers are production, marketing and finance departments. For service businesses such department are operating, marketing and finance. The functional structure is appropriate for organizations that produce a relatively limited range of products, act in a stable external environment and to provide its functioning they need solution of standard administrative tasks.

The positive characteristics of functional structures are the quality of decisions taken for specific areas of the company since they are developed by the leaders who are specialists in this field. The disadvantages of this type of the structures are:

- the possibility of conflicting instructions from the individual managers to the same employees;
- reduction of the speed control as a result of conflicting orders;
- reduced economic efficiency of management;
- one employee has to submit to some managers and it breaks the principle of the undivided authority.

The linear-functional structure (Fig. 3.5) differs from the functional one in that the heads of functional departments are not allowed to give instructions to the linear performers, and departments themselves play the role of the headquarters at the head of the organization. Thus, the head of the organization use the principle of the undivided authority.

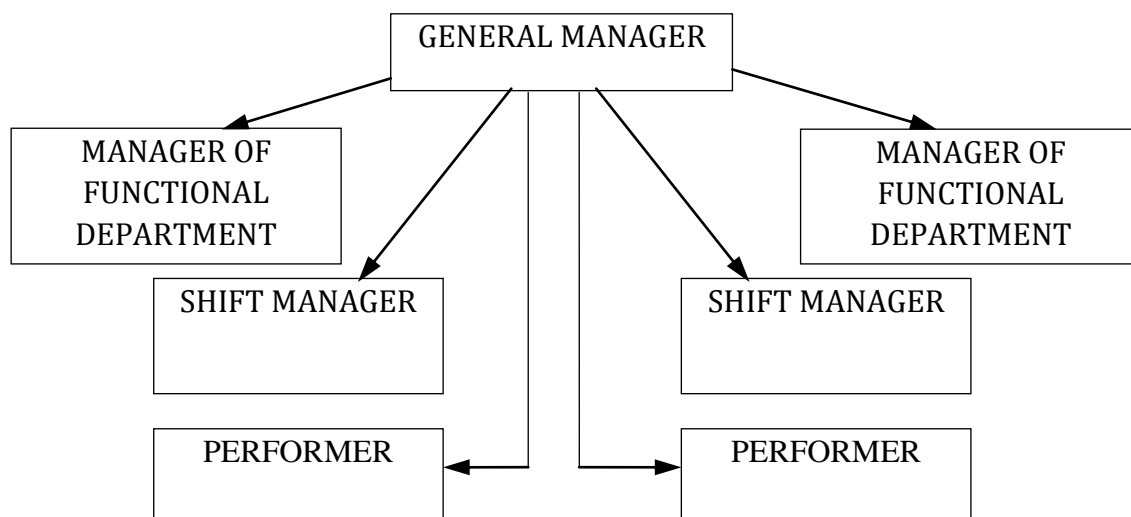


Figure 3.5 – The linear-functional structure of an organization

The more sophisticated bureaucratic structures are built by the principle of departmentalization (Fig. 3.6).

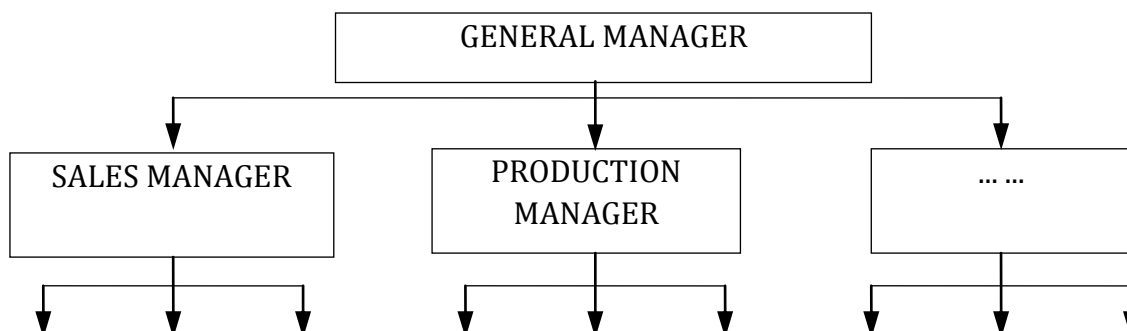


Figure 3.6 – Departmentalization structure of organization

This means the division of the organization into blocks that can be departments, divisions, sectors. They specialize usually by function (production, commercial, financial and economic activity, etc.). Such a structure is appropriate for companies that produce the same type of products; pharmaceutical enterprises mainly belong to them.

The divisional structure (Fig. 3.7) is considered to be more effective for large firms with a wide range of commodities manufactured and diversified into other industries. The main types of the divisional structure focused on different types of products, different consumer groups and different regions. To choice of the type is determined by the importance of specific indicators in the strategic plans of the organization.



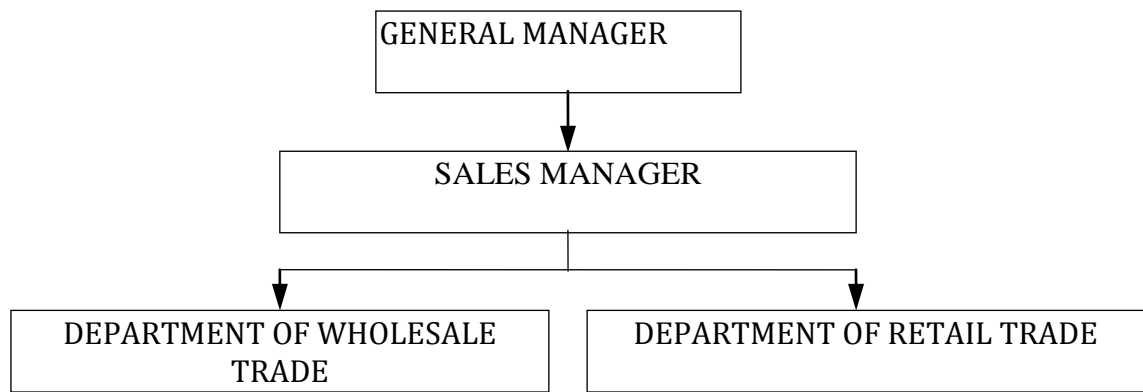


Figure 3.7 – The divisional structure of an organization

Rapid changes in the external environment, the increasing complexity of technology, which are typical for recent decades, have resulted in the development of adaptive (matrix) organizational structures. The adaptive or matrix structure (Fig. 3.8) is more flexible because it is better adapted to the rapid change in the external conditions and emergence of new high-tech technology.

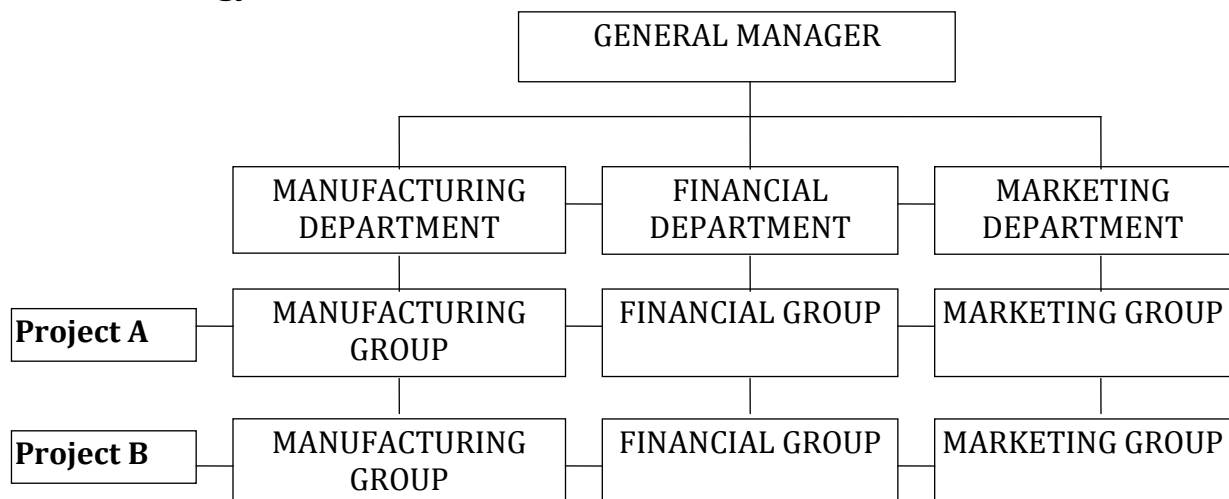


Figure 3.8 – The matrix structure of an organization

This is a temporary structure created within the parent organization to solve specific tasks, after performance of which they are disbanded.

The basis of the types of organizational structures considered is the staff division horizontally. The division of works vertically, including management decisions making, determine the existence of centralized and decentralized organizations.

**Centralized organizations** are those in which most of the powers required for decision-making is concentrated in the top management. The advantages of a centralized structure consists in a cost-effective use of the personnel, a high degree of coordination and control of special activities.

**Decentralized organizations** are organizations, in which the powers associated with the management, are distributed to lower levels of it. The advantages of this structure are in improving information exchange between managers at various levels, increasing the efficiency of the decision-making process, increasing motivation of managers, etc.

However, whatever the degree of centralization or decentralization of the organization is the top management reserves the right to take decisions on such issues as definition of common goals and objectives, strategic planning, policy formulation of the company, development of financial and accounting systems.

### 3.3. THE EVOLUTION OF THE CONCEPTS OF MOTIVATION. MOTIVATION IN THE PHARMACY BUSINESS

**Motivation** is the process of encouraging oneself and others to work to achieve personal or organizational goals.

The history of motivation goes far into the past of labour relations. The first method was invented by F. Taylor – “carrot and stick”. Later, Taylor made this type of motivation more effective by offering to pay for work of these who produce of more, in proportion to their contribution. With the improvement of the average life of workers, this principle became not sufficient. The appearance of the works of Elton Mayo moved the search for new solutions to the problem of motivation in the field of psychology of the employee, but did not lead to creation of a scientific model of motivation, which could explain motivation to work. Psychological theories of motivation appeared in the 40's of the twentieth century and have been developing till the present time.

Modern theories of motivation are divided into two categories: **content** and **process**.

The content theories of motivation are based on identification of internal motives, which are called needs, forcing people to act and not otherwise.

The process theories of motivation are based on the analysis of human behaviour, taking into account the perception and cognition.

Thus, the basic concepts of motivation are the needs, behaviour and reward.

**The need** in general is the sense of lack in something. There are many classifications of needs, but generally accepted is their division into the primary or secondary ones.

**Behaviour** is a clear and observed human reaction to external stimuli and internal needs, that is one may to say behaviour is the form of manifestation of needs a manager can achieve the desired behaviour from their subordinates with rewards.

**Reward** is everything that a human thinks valuable for him. The work itself gives the internal reward, its content and importance, a sense of achievement of results. External rewards are given by organizations in the form of praise, recognition, salary, benefits, promotions. If an employee feels the lack of the reaction to his work, he loses interest to it. Therefore, a manager must make efforts to identify and reward the positive aspects of the person in his work.

One of the first content theories of motivation is the Maslow's hierarchy of needs. According to it, needs can be arranged in a strict hierarchy (Fig. 3.9).

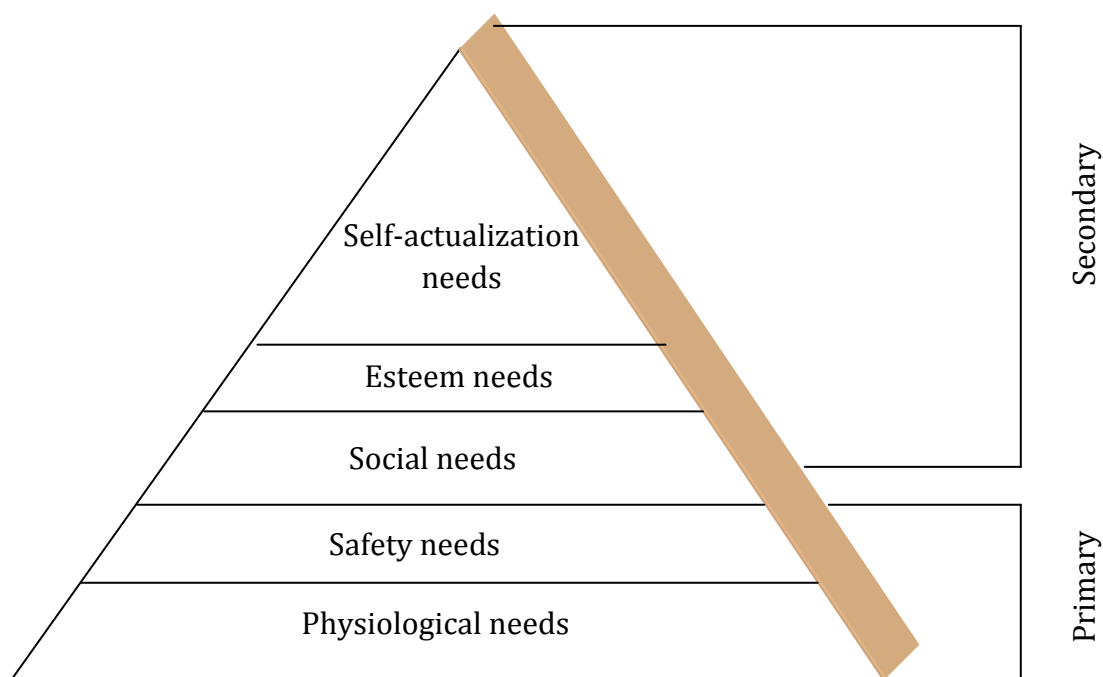


Figure 3.9 – The Maslow's hierarchy of needs

It suggests that before the need of the next level will be the most powerful determinant of human behaviour, the need of a lower level must be satisfied.

At the heart of the motivation of behaviour there is a number of independent elements: needs → incentives → behaviour (performance) goal → results of needs satisfaction → 1 – satisfaction; 2 – partial satisfaction; 3 – absence of satisfaction.

Using this type of motivation a manager should be aware that the needs satisfaction depends on the nature of people, variety of needs and their importance to different people, i.e. what is important as motivation for some people, or others it may be unimportant.

Another model of motivation through needs, but of the higher levels, was the theory of David McClelland. According to this theory, people are characterized by three needs: power, success, involvement. In other words, lower levels of classification of needs potentially have less motivational abilities.

In contrast to the previous theory the Herzberg theory divides the factors by the degree of their influence on motivation into two groups: hygienic and motivational. Hygiene factors are working conditions, work organization, salary, interpersonal relationships, policy of administration. Motivational factors include success, promotion, recognition of merits, high responsibility, creativity and growth opportunities.

According to the theory of K. Alderfer the main groups of needs motivating people, include:

- needs of existence (related to physiological needs, as well as the needs of safety and security);
- needs of communication (consistent desire of a man to be a member of the team, have good relations with colleagues, managers, belong to certain informal groups, social organizations, etc.);
- needs of growth (due to the desire for self-expression, self-assertion, to the appropriate recognition.)

In contrast to the theory of Maslow the hierarchy of needs of K. Alderfer provides not only the movement from the lower to the higher needs, but the reverse movement as well demonstrating the increasing influence of the motivational needs of the lower level in failing to meet the higher needs.

The theories of Douglas McGregor marked with the symbol “X” and “Y” represent two approaches to assessing the relationship of a man to work. According to the theory of “X” an ordinary person originally inherent the internal nonacceptance of labour, he is lazy, with the lack of initiative. Hence, the need for complete control, regulation of work, compulsion to

work. According to the theory of "Y" a person is hard-working, wants to distinguish himself from others at work, willing to take responsibility and initiative. In this regard, it is advisable to provide the maximum autonomy to workers, restriction of control and regulation of their activity.

The main procedural theories of motivation include: the theory of expectations, theory of justice and the model of the Porter-Lawler motivation.

The Vroom theory expectations is based on the assumption that a person is directing his efforts to achieve a goal only when he is sure to satisfy his needs and achieve goals. According to this theory, for effective motivation three relationships are important: labour → results → reward → satisfaction of remuneration.

The expectations theory provides a great opportunity for managers because comparing the proposed rewards with the needs of employees and adjust them in accordance one can achieve good results in the work.

The Adams' theory of justice known as the fifth principle of Emerson ("the fair attitude to the staff") suggests that people have the subjective feeling of the ratio of the reward received for the efforts spent, and then correlate it with the rewards of other people doing the similar work. Therefore, using this type of motivation a manager should explain the reasons underlying the different rewards for the same type of work (productivity, efficiency, experience) to his employees.

The Porter-Lawler model includes elements of both theories mentioned above. According to this model, the results achieved by an employee depend on three variables:

- the effort made;
- abilities and characteristics of a person;
- recognition of his role in the labour process.

On the other hand, the level of effort depends on the value of reward: internal (feeling of satisfaction from the work done, a sense of competence and self-expression) and external (praise of the head, prize, promotion, etc.).

The main conclusion of the Porter-Lawler theory that productive work leads to satisfaction, but not otherwise.

In medical and pharmaceutical industries due to their considerable prestige, the motives of a higher level such as social, respect, self-expression, satisfaction of the needs of involvement and satisfaction in the work with a visible result are dominated.

In order to satisfy the needs of such a nature experts offer managers to keep some recommendations.

To satisfy social needs of employees it is necessary to:

- give employees a job that would allow them to communicate;
- create a team spirit in structural subdivisions;
- support the emerging informal groups if they do not cause any real harm to the organization.

To meet the management needs it is required to:

- offer subordinates the more interesting job;
- inform them of the results;
- appreciate and encourage the achieved results;
- transfer additional rights and powers to subordinates;
- promote subordinates by the career ladder;
- improve their skills.

To meet the needs for self-expression it is necessary to:

- give the subordinates a complex and important job that requires the total efficiency from;
- encourage and develop creativity.

Sociological studies conducted by the staff of the Department of Management and Marketing in Pharmacy at the National University of Pharmacy among the managers of wholesale, retail firms and pharmaceutical companies have shown that the priority stimuli in providing incentives for the efficient work of the personnel are moral and material incentives for labour; discussions of the total results of the enterprise; holding of informal events, conducting of trainings and topical workshops; involving employees in decision-making, goal setting, and others.

Particular attention is given to motivation of the sales staff since sales volume depends on their work. Surveys indicate that the most common incentives for this category of workers are praise, along with material incentives, periodic financial incentives, gifts for the holidays. Promotion, permanent financial incentives, only moral encouragement are used less commonly.

Ideally, a firm must have a permanent system of incentives, which should be based on the results of certain marketing activities. The evaluation criteria should be identified by the firm itself, depending on the particular job. The acceptable model is scoring points for specific actions to each manager, for example, the volume of sales, for the sale of certain assortment of pharmaceutical products, the special assessment for the sale of the expensive assortment positions, new drugs, for attraction of new clients, for personal visits, organizing or participating in conferences, exhibitions and other promotions. It is essential that good results are awarded by special and meaningful prizes, and the targets set are realistic and achievable.

### 3.4. THE ESSENCE, TYPES, STAGES OF CONTROL OF THE ORGANIZATION ACTIVITY

Effective motivation of employees, verification of plans performance, compliance with the organization's structure are possible with the help of control. In the general understanding **control** is the process that provides the achievement of goals by the organization. It is an integral part of the essence of the organization and it is required to reveal and solve problems before they become too serious, to promote the success of the firm. The purpose of control is to fix deviations from the norm in time and correct mistakes during the work.

There are three types of control used at the stages of production and economic activity: preliminary, current and final.

The main means of the **preliminary control** is performance of certain rules, procedures and lines of conduct. In organizations the preliminary control is used in three key areas in relation to the human, material and financial resources.

The preliminary review of human resources in an organization is achieved due to a careful analysis of business and professional knowledge and skills needed to perform certain duties and selection of the best-trained and skilled professionals. Often this type of control continues after hiring workers during their training.

Multiple aspects of the pharmacies activity require the staff of employees that differ in vocational and professional training. The preliminary control by the pharmaceutical staff is carried out while recruiting and during the period of probation in accordance with the specialist qualifications characteristics and requirements of the job description.

The preliminary control of the material resources includes control of the raw materials, its compliance to certain specifications, determination of the level of the supply to enterprises, etc.

This type of control in the pharmaceutical industry provides the input quality control of the raw materials and semi-products that the enterprise has received, as well as, concentrates prepared at the pharmacies and intrapharmacy stocks. Wholesale intermediate and pharmaceutical companies control the flow of goods in quantity and quality, etc.

The most important tool for the preliminary control of financial resources is the current budget or a financial plan.

Due to the influence of environmental factors on the organization, the need for interaction and adaptation to the changing conditions of work in the pre-control the quality of information is also important. The integrity and objectivity of the data are checked, the system of collecting, processing and verification of information is formed.

**The current control** is performed in the course of the work based on feedback. Control with feedback systems allows an organization to identify deviations in the performance of the assigned tasks effectively and correct the actions.

In the pharmaceutical organizations, the current control of human resources provides the regular monitoring of compliance with legal documents (for example, pharmaceutical quality management standards, rules of drug sales, etc.), improvement of professional skills through participation in professional trainings and workshops, traineeships, studies at the advanced training faculties, etc. The certification of the personnel qualification category assignment gives the objective assessment of this phase of control.

The current control of material resources includes both stepwise quality control in the process of production and efficient use of resources. In the wholesale and retail businesses, monitoring for compliance with expiry dates, storage and transportation of medicines and medical products, identification of falsified drugs, etc. is required.

Monitoring of financial resources is typical for all organizations and it aims at checking the use of revenues, expenses, financial discipline.

The final control is carried out at the end of the work by comparing the results obtained with the required one, as well as on the basis of feedback. This type of control provides the management of the organization with the necessary information for planning in the case when it is supposed to carry out the similar work in future.

**The final control** of labour resources includes verification or certification of the personnel for compliance with the position, evaluation of performance and efficiency of work.

Confirmation of the final quality control of pharmaceutical products is the absence (or decrease in the number) of claims from the pharmaceutical wholesale and retail organizations, the negative conclusions of control and analytical services, complaints about poor quality from consumers of drugs.



As the final control of material resources of the pharmaceutical institutions the annual (scheduled) inventory can be considered. Comparison of inventory results with the data of accounting and reporting allows to determine the correctness of using the values and their safety, as well as to obtain the baseline data for subsequent correction of plans.

The result of the financial control is the calculation of the company's financial results and comparison with the planned indicators.

In the general procedure of control there are three stages: development of standards and criteria, comparison of results with standards and identification of deviations, measurement of results and correction of actions.

**Standards** are specific purposes characterized by the presence of the temporary frames and the specific criterion in relation to which we can estimate the degree of performance.

The second phase of the control process allows to determine whether the results achieved correspond to expectations, the extent of deviations and their safety for the further activity of the organization.

At the third stage a manager should develop the tactics of behaviour corresponding to the results: do nothing, eliminate deviations, revise the standard.

Because people are an integral part of control, the manager when developing the control procedures must take into account the people's behaviour. Employees are usually know that for control of efficiency of their actions the established standards will be checked, so they do what their boss wants to see. In this regard, the manager should develop a control procedure, which eliminates such a situation.

Another possible effect of the behavioural control is that it can encourage people to give false information to the organization because of over-for under estimation of the economic and industrial situations (e.g., incorrect information about the required and actual resource used).

To avoid the negative impact of control on the people's behaviour a manager should:

- establish meaningful standards perceived by the staff;
- establish two-way communication;
- avoid excessive control;
- set strict but achievable standards;
- reward for achieving the standard.

To be effective control should not only takes into account the organizational and behavioural aspects, but also have a number of important properties, namely:

- be strategic in nature, that is to be aimed at achieving exact results of the organization;
- comply with the controlled activity, performance of goals;
- should focus on results;
- be timely;
- be flexible;
- be simple and economical.

### 3.5. GENERAL CHARACTERISTICS OF THE MANAGERIAL DECISIONS

The most important element of management, its main "product" is a management decision. The decision making is reflected in all aspects of the implementation of management functions. The effectiveness of management and the success of the organization as a whole depend on how informed and timely decisions are, how they are performed.

In the general understanding of **decision** if a state of uncertainty caused by the necessity of choosing the actions that will achieve some pre-determined result. In other words, decision is the choice of alternatives. Activities of the head are associated with taking of organizational or managerial decisions. **Management** decision is the choice that the leader should make to perform the duties due to his position. The purpose of this decision is to provide movement to the problems facing the organization. There are several approaches to the classification of management decisions (Fig. 3.10).

By the level of the control system decisions can be single-level and multi-level when decisions are spread to all or part of the management levels.

By the functional content management decisions, in their turn, are subdivided according to the four basic functions of management: planning, organizing activities, motivation and control.

By the field of action there are economic, social, organizational and technological decisions.

According to the organization development of decision making may be individual, collegial and collective. Individual decisions are developed and taken an individually by the leader. Collegial ones are taken by the leader together with experts. Collective decisions are made at general

meetings by all participants. Some managers prefer that certain decisions are taken in groups. The method of bringing the group to an agreement is called consensus.

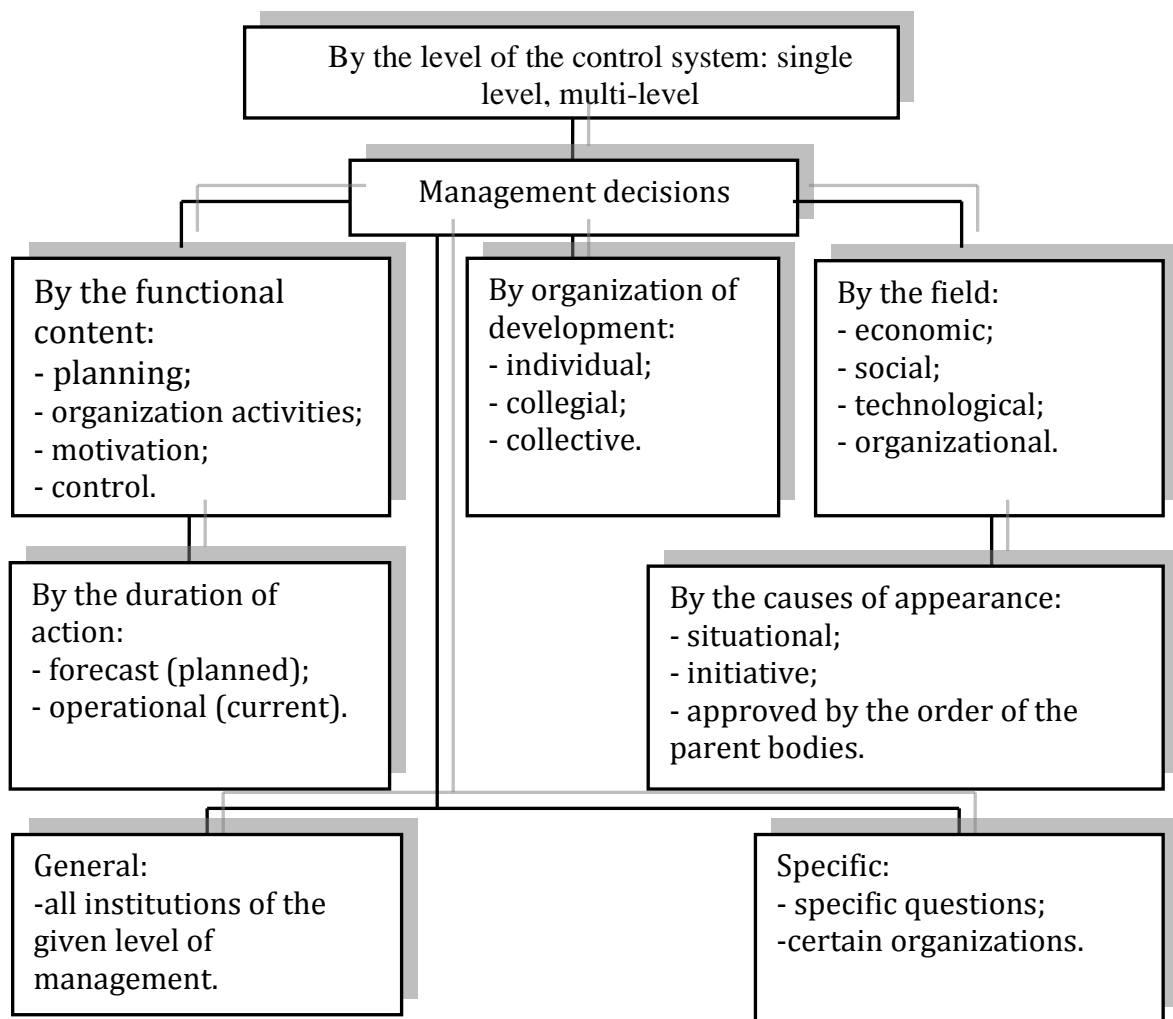


Figure 3.10 – Classification of management decisions

Management decisions can be designed for a different duration of action, and, therefore, they are classified as strategic (long term), planned or current and tactical (short-term, operational) decisions for solution of a particular problem within specific time terms.

By the cause of appearance decisions can be situational, initiative, approved by the order of the parent bodies.

Another approach to the classification of organizational decisions is their division into general and specific. General decisions give tasks to all organizations at this level of management, specific decisions deal with specific questions or a particular organization, and, in some cases, specify the general decision.

In addition, they can be classified as programmed (standard) and unprogrammed. Programmed ones are repeated decisions taken in accordance with the instructions of management. The number of alternatives at the same time is limited. It can be calculating by the equations and formulas.

For example, the calculation of the staff in the pharmacy using norms of the load per an employee, turnover planning by the rates of growth and change, planning and forecasting of the demand for drugs using consumption norms, forms, etc.

Unprogrammed decisions are usually once-off decision carried out in new situations associated with the unknown factors. An example is decisions to improve the product quality, purchasing of new drugs, improvement of the organizational structure, etc.

### 3.6. MODELS AND METHODS OF DECISION-MAKING

Effective decision making is necessary to perform management functions. Therefore, the decision-making process is fundamental to the management theory. In order to improve the objectivity and validity of decisions management science involves the use of models and methods of decision-making.

Model is a representation of an object, system or idea in a form that is different from the integrity. So, for example, an organization is the integrity and the organization scheme is a model that represents its structure.

There are three basic types of models: physical, analog and the mathematical. The physical model is that we investigate by increased or reduced description of the object. Examples of **physical models** are drawings, models, miniatures of buildings, machinery, machine tools, etc. The **analogue model** is analogous to the object under study, which behaves as a real object, but does not seem so. Examples of analogue models can be graphs of dependence (correlations of the sales turnover and trade, imposing dependence of the level of demand and the commodity turnover, dependence of the demand level on the price of goods, etc. The mathematical model allows us to represent the properties and characteristics of an object or event using mathematical symbols.

Construction of the model, as well as management in general, is a process. The main stages of the process are in in setting the task, constructing a model, check it for accuracy, use and update of the model.

The number of possible models of management science is very large and depends on the number of specific problems for which they are developed. The most common practice in the decision-making there are such models as the game theory, simulation, economic analysis. One of the applications of the game theory is to simulate the effect of the decision on the competitors. Simulation modelling is the process of creating the model and its experimental application for determination of changes in the real situations. If testing of a simulation model allows to achieve the desired results, then you can take a decision in a real system. Economic analysis is a form of modelling used to determine the economic feasibility of the organization or its activities from the economic point of view.

In addition to modelling management science provides research-use of a variety of methods to promote the choice of objective decision-making. Heuristics methods of decision making are a set of logical methods and methodological rules of choosing the optimal solution by the head with the helping of the theoretical comparison of the variants and their respective preferences. Among them the following methods are considered:

- heuristic reasoning;
- writing a "script" of the decision;
- system analysis;
- method of structural and program matrices.

The last two are more complicated methods. System analysis requires periodic validation of the specific actions performed. If this test fails, then the decision-making process returns to one of the previous stages. When using the method of structural or program matrices decision-making variants are in the form of a special table where the purpose of the decision is vertically arranged, and horizontally there are the limitations and conditions.

Forecasting methods include the use of both the past experience and the current assumptions about the future in order to define it. There are quantitative and qualitative methods of forecasting. Quantitative methods are applicable if the activity in the past had a tendency to assume that you could foresee in the future, and if there is enough information to determine statistical significance (tendencies). Among the quantitative methods of forecasting analytical methods for alignment, exponential smoothing, tendency extrapolation, mathematical modelling, correlation and regression are more commonly used.

Using these methods one can calculate the short-and long-term forecasts of demand for psychotropic medications, sulfonamides, antidiabetic, hormonal, cardiovascular, antitumor drugs, etc. The method of correlation-regression analysis allowed to consider the consumption of drugs as a multidimensional phenomenon and made it possible to take into account the range of factors and assess their impact on the dynamics of the process investigated.

When the amount of information is insufficient or when the quantitative method is complicated and expensive, used qualitative methods of forecasting, based on the generalized opinions of experts. One of the most common qualitative methods of forecasting is a method of expert evaluations. This method provides for the selection of an expert group (the most competent experts in the study area), the filling of a detailed set of questions on this problem, each expert acquaintance with the opinions of others, discuss the differences, the formulation of a single solution.

In pharmacy the method of expert evaluations is widely used to improve the reliability and validity of quantitative methods of the market evaluation and its perspectives, to assess the competitiveness of a company or a pharmacy, when testing the results of advertising and informational work. With the help of expert evaluations the selection of the factors influencing on consumption and demand perspectives for drugs of some pharmaceutical groups, such as psychotropic drugs, vitamins, hormones and anti-septic drugs, cardiac glycosides and drugs with a broad-spectrum action, has been carried out. This method allows to make the revision of the range of drugs to eliminate inefficient, outdated, being not in demand drugs having a more efficient analogs. As a result of expert evaluations a conjectural survey is made; which highlights the issues of forecasting demand for drugs, tendencies of demand for new drugs, assessment of the current range of manufactured medicines, etc.

### **3.7. THE STAGES OF MAKING AND IMPLEMENTATION OF MANAGEMENT DECISIONS**

The modern management theory considers three approaches to decision-making process: the intuitive, based on judgments and rational one.

**The intuitive decision** is the choice dictated by the feeling that it is correct. At the same time a manager relying only on his intuition faces with plenty of probabilities, which reduce the chances of a correct choice.

**Decisions based on judgments** are made due to knowledge or experience. They are relatively fast and inexpensive. However, the head who is too inclined very much to the judgment and expertise may consciously or

unconsciously avoid the new alternatives although they might be more effective than the familiar choices. A typical example is "We have always done so".

**The rational decision** is grounded with an objective analytical process. At present a single "technology" of making rational decisions has not yet developed, the general idea about its main stages is absent. In Fig. 3.11 the sequence of the rational decision-making process having the most positive opinions is presented.

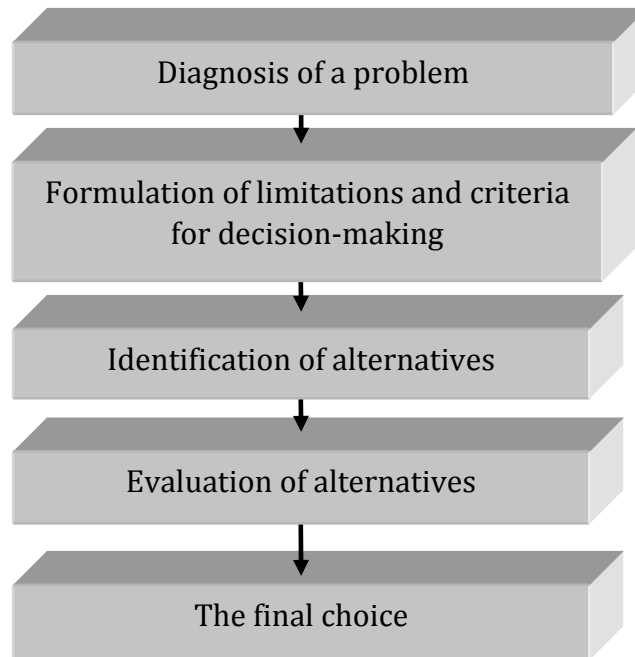


Figure 3.11 – The stages of making a rational decision

A prerequisite for preparation and decision-making is always a certain problem, i.e. there is a mismatch between the actual and desired state of the organization activity. In the diagnosis of a problem the symptoms of difficulties, their causes are recognized and established. Therefore, at the *first stage* a manager determines whether the problem is so overdue that the measures should be taken to solve it.

*At the second stage* the manager must deeply analyze the problem, identify the possible ways to solve it, taking into account the possible limitations and criteria. Among the general limitations in the decision making process there are following ones:

- inadequate resources, insufficient number of workers with the required qualifications and experience;
- the need for technologies not yet developed or expensive;
- tough competition;
- taking a decision by the head only in the framework of his powers.

The criteria (standards) for a decision at this stage are the specific recommendations. For example, the common requirements for quality and design of products, regulations of the labour law – in the solution of labour disputes, etc.

*The third stage* evaluates the available potential opportunities for solving problems, deadlines, and develop alternative solutions.

*The fourth stage* includes discussion of the actually and validity of a decision, assessment of what will happen in the future. The decision should not appear too quickly – it leads to the fact that some decisions are not performed.

*The fifth and final stage* is the choice of alternatives or actually making a decision, which effectiveness depends on how well the preceding stages are performed.

Management decisions should meet a number of general requirements:

- a comprehensive scientific basis, that is, a decision must be made on the basis of consideration of the objective laws of development of a system and based on the analysis of the specific production situation. The decisions are developed on the basis of reliable and complete information by comparing multiple options;

- eligibility – decision is made only by the authorized person;

- orientation – a decision should be targeted, clear to each performer;

- unity – accompanying goals and objectives should be subjected to basic purpose, for which a decision is made. All provisions of the decision are agreed with the previous and already existing decision;

- brevity and completeness suggests briefness of the decision formulation with the full answer to all major issues that form the basis for the organization of management in the process of implementation of this decision;

- specific time – the head should not give any orders without specifying the time of their execution;

- efficiency (timeliness) – a decision must be taken at a time when it requires the production environment. Delay and hastiness of decisions are equally undesirable.

The complexity and variety of the internal and external environment of the organization have an impact on management decisions. The most important factors depending directly on the decision making process and their effectiveness are:

- the personality assessment of a manager;

- conditions of certainty, risk and uncertainty;

- the time and the changing environment;

- informational limitations;



- behavioural limitations;
- negative results;
- interconnection of decisions.

After the decision is made, there comes the stage of organization of its implementation. The effectiveness of management decisions depends on how well this work will be delivered. In connection with this, the theory of managerial decisions provides a number of basic requirements for the process of implementing the decisions. The sequence is as follows:

1. Development of a plan for decisions implementation. A manager must provide the distribution of the total work by time, objects, aims, achievement of which is necessary for implementation of the decision. The most effective for this purpose is a plan-schedule with check dates.

2. Selection of performers and informing them about the decision. This stage of implementation of decisions involves the necessity of considering qualification, experience, skills of performers, features of the activity and the character of the work they do; explanation of the goals and conviction of the value of the work; motivation of the performers, promotion of the effective implementation of decisions. When bringing the task to the performers the manager should avoid unnecessary details as it focuses on the formal report.

3. Organization of the operational work to implement decisions. To make this stage more successful, organization must be clear, even with the ideal plan of work. The instructions or orders must be given timely, understanding of the instructions essence is checked, and the work at a definite moment is intensified.

4. Control of performance. Its purpose is account of implementation of decisions, timely detection of deviations from the program, the use of measures to eliminate or prevent deviations. As a method to assess the decision taken control should be systematic, timely, dynamic, objective and rational.

5. Correction of the decision. This may be due to the relatively unsatisfactory organization of performing the decision, sharp changes in the environment or disadvantages of the decisions.

One of the conditions for implementation of the decisions that are directly related to control is the "feedback" that allows to determine what happens after the decision has come into effect. With the "feedback" the advantages and disadvantages of the decision are checked in practice, the opportunity of timely intervention in the course of its implementation is provided.

### 3.8. DELEGATION OF AUTHORITY. RESPONSIBILITY

An important element of management, especially in the area of decision-making is distribution of administrative functions, that is, authority and responsibility for their implementation between the links of the management hierarchy. The set of methods that enable a manager to shift the performance of his functions to other employees is called the **delegation of authority**.

The essence of delegation is in distribution of tasks, training and decision-making on those levels of management, which focus much of the necessary information, experience and ability to concentrate specialists, so a decision can be made efficiently and in a relatively short period of time.

In addition, the delegation of authority allows to release the head of the consideration and solution of secondary problems, provides an opportunity to focus on basic, fundamental problems that can be solved only by him. The list of powers that cannot be delegated is by determined the current laws and regulations.

When delegating one must comply the authority and the volume of rights granted to the employee. If the volume of the delegated authority exceeds the workers' rights, there is a real risk of failure; when the rights are greater than authority, the atmosphere of irresponsibility and the lack of control are created.

The hierarchical management structure provides transfer of authority directly from the head to his subordinate, and then to the other subordinates. It is the most common type of linear power. Linear power allows the manager to direct his subordinates to achieve the goals. The leader with the linear power has also the right to take certain decisions and solve certain problems without agreement with other managers within the limits set by the organization or by law.

The head of pharmacy with the full linear powers chooses independently the directions of using monetary resources, solves questions of recruitment and firing, determines the volume and nomenclature of medical products purchased, etc.

Powers are inseparable from responsibility, which, in turn, can be defined as an obligation of implementation of the authorized activities. But delegation is performed only in case of taking the powers, but responsibility cannot be delegated, i.e. although the head, on whom the task is im-

posed, is not obliged to perform it personally, he is responsible for the satisfactory completion of the work. Thus, we can formulate the basic principles of delegation:

- transfer of powers should be in accordance with the expected results. A subordinate must have sufficient rights to achieve the desired result;

- transfer of powers should be implemented along the lines of management, so that each subordinate can know exactly who delegates him and whom he is reporting to;

- every manager makes decisions within his powers. Anything that exceeds his competence is transferred to senior management;

- only powers are delegated. A senior officer remains responsible for the actions of his subordinates.

The ability of the leader to transfer part of his powers to subordinates, distribute rationally the functions between them is the essential and important element of management. However, there are some obstacles to delegation of authority. Unwillingness of the head to delegate powers due to the lack of confidence in his subordinates, and the false belief "I'll do it better," inability to manage and fear of risk, the lack of an effective mechanism to control of the subordinates' work. Blocking of delegation by the subordinates may be due to self-doubt of the performer, fear of criticism for mistakes made, overload by work, the lack of information and resources to complete the task successfully, as well as positive incentives for the additional work.

The success of delegation of authority increases if the manager and the subordinate are united in understanding the goals and objectives of management, and trust. In addition, if the subordinate is convinced that delegation is the recognition of his competence, it will be effective then.

### **Questions for out-of-class work**

- 1. What are basic functions of management?*
- 2. What is the essence of strategic planning of the organization?*
- 3. Why is the mission of the organization the basis of its existence?*
- 4. What are the characteristics of the effective purposes?*
- 5. What strategic alternatives exist?*
- 6. Give the characteristic to the basic components of the process of implementation of the strategic plan.*

7. *Characterize the basic types of modern organizational structures.*
8. *What is motivation?*
9. *What theories of motivation do you know?*
10. *What is the role of control in management?*
11. *Name and characterize the basic kinds of control.*
12. *What behavioural aspects does control consist of?*
13. *Define the organizational decision.*
14. *What are basic approaches to classification of organizational decisions?*
15. *Characterize the basic methods of decision-making.*
16. *What are the stages of the decision-making process?*
17. *What factors influence on the process of the rational decision taking?*
18. *List the stages of the process for performing the administrative decision.*
19. *What are the basic requirements to the accepted decisions?*
20. *What is the essence of the process of delegation of powers?*
21. *What are the obstacles for effective delegation of powers?*

### **Tests**

1. *Which combination of elements reflects the basic functions of management?*
  - A. Organization, motivation, communications, control
  - B. Planning, administration, organization, control
  - C. Planning, administration, coordination, motivation
  - D. Planning, organization, motivation, control
  - E. Motivation, control, coordination, administration
2. *What concept is characterized by the definition: “ ... is an overall aim of the organization, a precisely expressed cause of its existence”?*
3. *Which stages of the strategic planning of a pharmacy enterprise does the information about the activity of competitors, estimation of the price change for the raw material and manufactured products include?*
  - A. The choice of the mission
  - B. Determination of the purpose
  - C. Estimation and analysis of the external environment
  - D. Administrative inspection of internal strong and weak sides
  - E. The choice of the strategy

*4. Which of the following combinations reflects the basic steps of the strategic planning?*

A. Mission, goals, analysis of the external environment, management research of the strengths and weaknesses, analysis of alternatives, the choice of strategy, implementation of strategies, assessment of strategies

B. Mission, goals, analysis of the external environment, management research of the strengths and weaknesses of the company, formulation and analysis of alternatives, selecting the strategy alternative, strategy implementation, control of the strategy

C. Mission, goals, objectives, diversification, analysis of alternatives, the choice of strategy, implementation of strategies, assessment of strategies

D. Mission, goals, analysis of alternatives, the choice of strategy, strategy implementation, assessment of strategies

E. Mission, goals, objectives, analysis of the external environment, analysis of alternatives, diversification, the choice of strategy, implementation of the strategy

*5. Complete the list of strategic alternatives:*

A. Limited growth

B. ...

C. Reduction

D. Combination of all alternatives

*6. Complete the list of components of the plan for implementing the strategy:*

A. Tactics

B. Policy

C. Procedures

D. ...

*7. Complete the list of requirements for the purposes of the organization:*

A. Exact and measurable

B. Orientation in time

C. Interconnection

D. ...

*8. Complete the list of requirements for the structures of organizations:*

A. Control

B. Dynamics

C. "Sensitivity"

D. Interaction of subdivisions

E. Ability of managers

F. Duplication of power

G. ...

9. *What type of the organizational structure does the following definition corresponding to: "... the organizational structure is characterized by a clear division of labour, hierarchical subordination of the staff and administration, recruitment and career development of employees based on competence and an orderly system of rules and standards of the organization"?*

10. *What type of the organizational structure is characterized by dividing the organization into separate subdivisions, each of them has exactly definite tasks and duties?*

- A. Matrix
- B. Linear
- C. Functional
- E. Divisional

11. *What is the type of the organizations where the most part of powers required for decision-making is concentrated at the top management?*

12. *What are organizations in which the powers are connected with management and distributed at local levels of management called?*

13. *Which function of management reflects the regulation of labour stimuli to implementation of a certain work?*

- A. Organization
- B. Planning
- C. Motivation
- D. Control
- E. Coordination

14. *Which from the listed theories of motivation is a cognitive theory?*

- A. Motivation model of Porter-Lowler
- B. Expectation theory
- C. Validity theory
- D. Theory of Maslow
- E. None of the above

15. *Which group of needs is identified in the Maslow's hierarchy of needs?*

- A. Physiological, sexual, altruistic, practical needs
- B. Hygiene factors and motivators
- C. Power, achievement, belonging
- D. Explicit, implicit, congenital, acquired
- E. Physiological, safety and security, social, esteem and self-actualization needs

16. *What group of theories of motivation do the theories based on identification of the internal needs making people to act belong to?*

- A. Process
- B. Cognitive
- C. Secondary
- D. Primary

17. *What needs are primary according to the Maslow hierarchy of needs?*

- A. Respect
- B. Self-expression
- C. Social
- D. Physiological
- E. Participation

18. *What concept does the definition “... is a process of providing the achievement purpose of the organization” explain?*

19. *Complete the list of the successful control components:*

- A. Strategic character
- B. Compliance with the activity to be controlled
- C. Timeliness
- D. ...
- E. Simplicity and efficiency

20. *Complete the list of the rational decision-making stages:*

- A. Diagnosis of the problem
- B. Formation of limitations and criteria for decision-making
- C. Identification of alternatives
- D. ...
- E. Final choice

21. *Complete the list of requirements for managerial decisions:*

- A. Full justification
- B. Timeliness
- C. Completeness of the content
- D. Consistency with previous decisions
- E. Specificity of time
- F. Directivity
- G. ...

22. *What concept is characterized by the definition: “... is the process by which an individual manager or supervisor transfers part of his legitimate authority to a subordinate, but without passing on the ultimate responsibility”?*

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## CHAPTER 4

# COMMUNICATION PROCESSES IN MANAGEMENT

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The chapter is devoted to the connective processes and their role in management. The essence and complications of communications is in it; description of means of information exchange, the methods of increasing the efficiency of organizational and interpersonal communications, description of forms of business communications are given; the classification of administrative documents is presented and their role in providing of the communication process is shown; the questions of automation of the management system, the rational use of modern technical means in the process of information exchange, computerization of pharmaceutical organizations are considered.

### 4.1. THE CONCEPT AND TYPES OF COMMUNICATIONS

In the life of most people the processes of communication take 70% of their time. The abilities to speak, listen, read, write are major capabilities, providing the joint activity of people, allowing to accumulate and transfer the enormous stock of knowledge.

An important place is occupied by communications in the administrative activity. As statistics shows, from 50 to 90% of the working hours of leaders of all levels is spent for one or another types of communication. In this connection leaders should perfectly use the art of communication. Effectively working leaders are those who are effective in communication. Effectiveness of negotiations, degree of the mutual understanding with partners, clients and employees, satisfaction of workers of the organization by their work, the moral psychological climate in among the staff collective, mutual relations with other enterprises, with public bodies depend on well-formed communication.

**Communications** are the process of the exchange of ideas and information value between two or more people. The term "communication" is derived from the Latin word meaning "common" or "divided with all". As an organization is the structured type of relations between people, it substantially depends on quality of communications for maintenance the efficiency of functioning.



Depending on the level communications are divided into interpersonal and organizational. The structure of organizational communications is presented in Fig. 4.1.

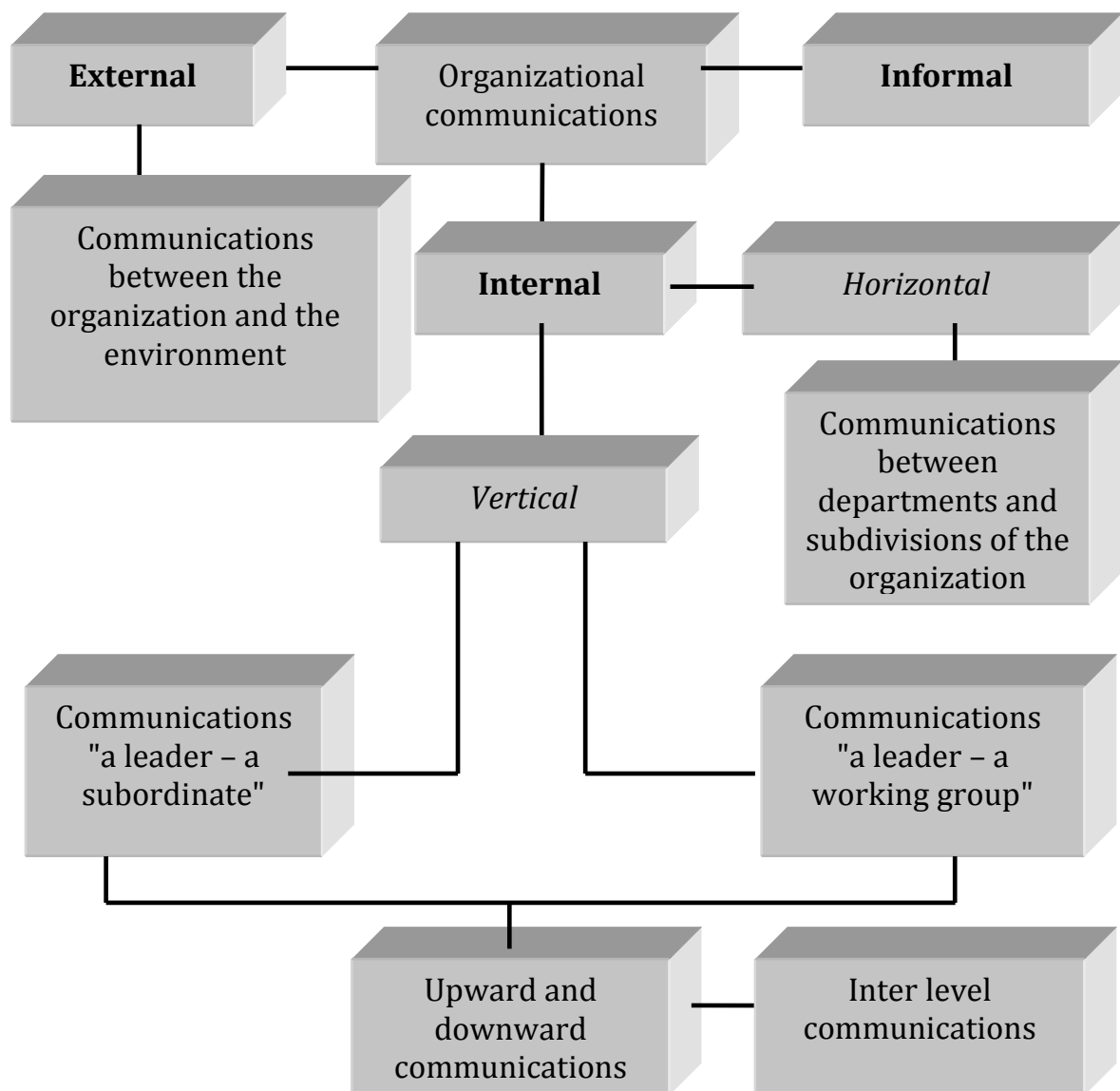


Figure 4.1 – Structure of organizational communications

One of the most meaningful characteristics of an organization is its *intercommunication with the external environment*. Organizations use various means for communications with the constituents of the external environment. So, they have to submit to the government control, on the other hand, the organization tries to influence on the content of future laws and decisions.

With the present and potential consumers organizations communicate by means of advertising or other products distribution programs at

the market, among which the most effective are conferences and business meetings, fairs, trade exhibitions etc.

In the field of relationships with the public the primary attention is paid to creation of a certain character, "image" of the organization at local, national or international level. Thus, radio, television, capital investment in benevolent and other funds, financing of ecological, health and other programs are widely used.

In the pharmaceutical system communications with the external environment include receipt and observance of orders of Ministry of Public Health of Ukraine, orders and instruction materials, etc. The subject of communications is information about achievements of pharmaceutical science and practice, about production and registration of medicines, about the state and tendencies of the pharmaceutical market, as well as accounting and statistical reports.

*Internal communications* are a complex process covering all levels and sublevels of an organization.

The hierarchical structure of an organization results in transfer of information from one level to another level within the framework of inter-level vertical communications. There are two types of vertical communications upward and downward ones.

*Downward communication* is transferred from the highest levels to the lowest one. In that way subordinates are informed about the current problems, the changing of priority, the specific tasks and the recommended procedures.

For pharmaceutical enterprises the most characteristic information transferring within the framework of downward vertical communications are:

- orders, instructions, statements on the different aspects of the pharmaceutical institutions activity;
- about changes in the activity of state or public bodies management;
- about the state and prospects of medicines supply;
- about withdrawal from circulation of nonquality or counterfeit products;
- about special sale of medicines to the separate categories of patients;
- about the pharmacotherapeutic action of medicines.

*Upward communications* carry out the function of notification of the top that is done to the lowest levels. Thus, the management knows about the current and coming problems and offers possible variants of correction

the business situation. Upward communications usually occur in the form of reports, offers and explanatory notes.

In the activity of pharmaceutical enterprises they are:

- reports, certificates, declarations about the indicators of economic and financial activity;
- acts of one-time target inspections;
- information about complaints and proposals;
- data about sanitary-educational and information work;
- information about the state of equipment, material and technical base of pharmacies;
- data about the observance of safety rules;
- information about the state of legal service;
- information about staffing and disposition of personnel;
- data about the provision of medicinal raw material, etc.

The examples of vertical communications are communications between a leader and subordinate. The essence of these communications is different: explanation of tasks, discussion of problems of the work efficiency, collection of information and, vice versa, notification of subordinates about something, obtaining of information about improvement and propositions, gratitude and reward.

There is extended exchange of information between a leader and his working group is widespread. Communications with the working group allow a leader to increase efficiency of the group action. As all members of the group participate in the exchange, everybody has the opportunity to express his/her opinion, and finally it allows to make the optimal decision.

Due to variety of tasks that the organization faces it needs not only vertical, but horizontal communications as well.

The organization consists of a number of subdivisions, therefore the information change between them is needed for co-ordination of their actions.

So, in a pharmacy different departments must share the information about supplies and sales of medicines, demand for medicines, costs, etc. It allows the pharmacy to be close to consumers and continue to satisfy their requirements effectively.

Additional benefits from horizontal communications consist in forming of equal relations between departments, maintaining of the normal psychological climate in them and in the organization on the whole. It is

well-proven that such relations are an important part of workers satisfaction from their work, they prevent the turnover of the employees. According to the research data, efficiency of horizontal communications is about 90%. It is probably explained by the fact that people working at the same level of management understand the character of labour of the colleges well, know their problems and adequately perceive and react on the information.

Organizations consist of formal and informal components that naturally, affect the structure of communications. So, the communications described above are formal since they deal with interrelations between the formal elements of the organization. *Informal communications* can be characterized as a channel of distribution of rumours. However, paradoxically it is, but has been proven that by the channels of rumours the information is passed much quicker than by the channels of formal communication.

There is a certain stereotype that rumours are always inexact, distorted information. However, according to the researches of Kith Davis, the known American scientist, 80-99% of rumours are exact in regard to the information about the organization itself and less exact concerning the personal sphere or very emotional information.

The most typical information transferring by the channels of distribution of rumours, is:

- forthcoming reduction of the number of workers or office workers;
- changes in the structure of the organization;
- new measures of disciplinary impact;
- career development and promotions, etc.

#### **4.2. BASIC ELEMENTS AND STAGES OF THE COMMUNICATION PROCESS. METHODS OF OVERCOMING OF COMMUNICATION BARRIERS**

The communication process is exchange of information between people. The basic purpose of the communication process is provision of understanding the information that is a subject of exchange, i.e. messages.

During the information exchange four **basic elements** can be distinguished:

1. *The sender* is a person generating ideas or collecting the information and transmitting it.

2. *The message* is actually the piece of information decoded with the help of symbols.

3. *The channel* is the means of transferring the information

4. *The receiver* is a person whom the information is intended to and who interprets it.

When exchanging the information the sender and the receiver pass some stages. Their task is to compose a message and to use the channel for its transferring so that the initial idea can be understood by both sides. It is difficult because each stage is simultaneously the point where the sense can be deformed or completely lost.

There are four stages of the communication process:

- the origin of the idea;
- encoding and the choice of the channel;
- transferring;
- decoding.

Interrelation of elements and stages in the process of the information exchange are illustrated in Fig. 4.2 as a simple model of the communication process.

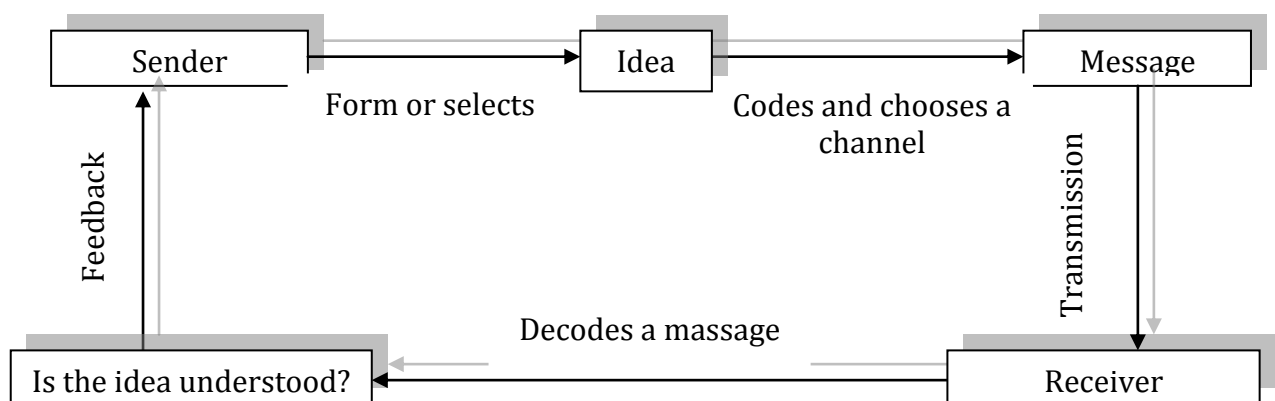


Figure 4.2 – A simple model of the communication process

The information exchange is started with formulation of ideas or selection of the information intended for transmission. The sender decides what meaningful idea or message should be the subject of exchange. If the sender is a leader, then before the information exchange he/she should understand that the purpose of the idea is to improve the results of the work done. And it is necessary to know exactly what ideas are intended for transmission, whether they are appropriate in a particular situation or by the methods of achievement of the purpose set.

Encoding and the choice of a channel convert the idea into a message. Coding an idea is possible using words, gestures, intonation. But a channel must fit with the type of the symbols chosen for encoding. Some well-

known channels are transmission of writing materials (official messages, instructions, orders, etc.); telephone, telegraph, electronic communication means (computer network, e-mail, video, etc.). If a channel does not correspond to the idea, the information exchange will be less effective.

The choice of means of communication should not be limited by one channel. It is desirable to use two or more means of communications in such combination: a verbal report can be accompanied by a video film; the telephone information can be supported by writing materials, etc.

The next stage of the information exchange process is transmission. It is actually physical transfer of the message which, as a rule, is considered to be the process of communication by mistake.

After receiving the message a receiver decodes it. Decoding is translation of symbols of the sender in the thought of the receiver. If symbols chosen by the sender have the same value for the receiver, then the primary idea or message will be perceived correctly.

Efficiency of the information exchange depends on similarity of perception of the message by interchanging parties because a sender is under the effect of his experience, and a receiver has criteria of his own estimations dictated by his/her experience. The information exchange should be considered effective if a receiver has shown understanding of the idea and acted in such way as the sender has expected. If understanding is not achieved, then communication does not take place.

Understanding of barriers on the way of the information exchange and methods of their overcoming contributes to the increase of efficiency of the communication process.

The most widespread barriers in organizational communications are:

1. *Distortions of a message*. They are:

- unintentional;
- intentional (conscious distortion of information);
- as a result of information filtration when transmitting from one level to another level;
- as a result of the status distinctions of interchanging parties.

2. *Information overloads* refer to the condition of having too much information, as in the case when a worker is given too many jobs to perform. The implication is that individuals can effectively process only a certain amount of information. An example is if a manager gives an employee too much information about the report's requirements at a time. In either situation, the receiver probably does not receive the entire message. Man-

agers need to be aware of the potential for the information overload and make appropriate corrections, such as providing written instructions to support verbal instructions.

3. *The unsatisfactory structure* of an organization. The structure of an organization can dramatically influence on the effectiveness of communication. For example, if the firm's organization does not provide sufficient upward, downward, and horizontal communication channels, then not only the quality, but the quantity of information shared could be reduced. The channel used can also influence on the structure. A more centralized structure, for example, tends to make greater use of written communications, whereas a more decentralized structure encourages more face-to-face communication.

To increase the efficiency of the communication process in organizations it is recommended to undertake the following measures:

a) regulation of information streams. Its essence consists in the ability of a leader to estimate qualitative and quantitative sides of the own information needs, of the heads and employees;

b) administrative actions. This measure supposes to take administrative actions undertaken with the purpose of the information exchange such as conferences, individual conversations, monitoring of works according to the plan-schedule, reports devoting to the results of such control, etc.;

c) the system of feedback. An effective feedback during organizational communications is achieved by a several ways:

- transferring people from one subdivision of the organization in another one with the purpose of discussion of particular questions. These can be business trips of office workers of the organization to enterprises with the purpose of discussion of the questions of quality of products; the presence of the product designers in the retail outlets with the purpose of revealing the tendencies of demand, etc.;

- the system of collection of proposals with the purpose of decreasing the biased filtration of ideas during their promotion from the bottom to the top;

- the use of news-letters, publications and videotape recordings of the organization, which contain information that should be discussed or problems discussed previously, such as the quality of consumers services, labour conditions of the employees in the organization, the report of the owner or the management body authorized by him about implementation of the collective agreement, etc.;

- the use of modern information technologies promoting improvement of the information exchange in organizations. They are personal computers, local networks, e-mail, etc.

Although in organizations a prevailing value has the exchange of writing information, a direct interpersonal exchange is also inalienable part of the communication process.

*Appearance of barriers* during the interpersonal exchange of information is connected with the following concepts:

- perception,
- semantics,
- exchange of nonverbal information,
- wrong setting,
- the lack of ability to listen,
- poor-quality feedback.

Barriers conditioned by perception, consist in the fact that people can interpret the same information variously depending on their experience, distinctions of social habits, their persuasions, estimations, values, etc. There are some main causes of ineffective communications conditioned by perception in the theory of management.

*Nonunderstanding of the message importance.* The leaders of organizations often consider that managers of the middle and low levels, and moreover the performers should not necessarily know about the matter-position as a whole. The information exchange takes place only concerning the exact functions of the performer without connection of importance of this work for achievement of the general purpose of the organization.

*The wrong direction to consciousness.* Direction to consciousness is the attitude of a person toward the environment based on the vital experience. Defects of direction to consciousness influencing on the quality of communications are expressed as:

a) stereotypes of thought, i.e. the steady simplified opinion in relation to people and situations. Stereotypes hinder to communications by the dual character: the content of information can be distorted by a sender under the influence of his/her stereotype, as well as by the stereotype thought of a receiver of the information;

b) the preconceived presentations when distortion of information takes place as a result of actions of a sender or a receiver carried out in support of the opinions and those actions denying all that contradict them;



c) wrong relations. Good relations between a sender and a receiver of information are also rather important for quality of communication. Mutual respect facilitates communications and allows to solve quickly even the most tough questions. Therefore, a leader should create and save good relationships with his employees and the general social psychological climate among the employees;

d) the absence of attention and interest. For effective communications it is necessary to attract the attention of the interlocutor, to cause his interest. If the interlocutor understands the value of the message for himself, he gets interested in it;

e) ignoring facts, which consists in habit to conclude in the absence of sufficient amount of facts or their wrong understanding. Necessary facts are absent mostly because of the fault of a sender, either due to failure or because he/she considers that they are known for a receiver or not needed. It results in that the known fact or information is complemented by a receiver, his/her own ideas about the absent facts.

*Semantic barriers.* Semantics studies the method of words uses and meanings, transferring by words. The causes of bad communications conditioned by semantics are in that words or verbal symbols can have a different meaning for different people; consequently, it is unnecessary that the message of a sender will be understood similarly by a receiver of information. Therefore ambiguities in a message must be eliminated, an idea should be formulated clearly and simply.

Semantic barriers often create communication problems for enterprises and firms operating in the multinational environment or can be conditioned by cultural distinctions of the firms-partners.

Nonverbal barriers are associated with the use of nonverbal symbols, i.e. any other except for words, such as gestures, intonation, mimics, modulation of the voice. The phrase that is the most polite and inductive depending on that what nonverbal symbols will be used can have the negative sense for an interlocutor and influence on the further course of communications. National and cultural traditions affect the choice of nonverbal symbols. It is noticed that Americans, for example, even in business communications smile and are unreserved in manner and Germans and Russians are serious and official.

*Effective communication* is possible with the ability to listen, i.e. when a person is identically exact in sending and receiving the information. It is not enough to state and perceive facts; it is necessary to listen to feelings,

only then the information will be perceived fully. In management there is the term "empathy", which means attention to feelings of other people, attempt to see a situation from the point of view of other person. Using of "empathy" during the information exchange leads to openness, decrease of tension in conversation, providing the efficiency of communications.

To make sure in success of communication it is necessary to have a feedback. According to the theory of management a "feedback" is a basic reaction that is heard, read or seen. The information is sent back to the sender, testifying the degree of understanding the message, its comprehension and agreement with the message. With the feedback the sender and the receiver vary communication roles. The feedback appreciably raises the chances of the effective information exchange allowing both sides to avoid barriers.

#### **4.3. FORMS AND ORGANIZATION OF BUSINESS COMMUNICATIONS**

The successfully chosen form of business communications assists to achieve the organizational purposes, therefore, the certain form of communication should correspond to every particular case. There are two basic forms of communications: mediated (indirect, through mediators) and direct, including verbal and nonverbal communications.

In administrative activity such organizational forms of business communications are used: meetings, conferences, settings, business conversations and negotiations, reception of visitors, telephone conversations, detour of working places.

*Meetings and conferences* are held with the purpose of making of a certain administrative decision; they differ by the participants (all personnel of the organization take part in the meeting; a conference is the event for the interested workers); the purpose of conducting; the character of the problems and issues discussed (at the meetings there are general questions accumulated for the certain period, at the conferences there are specific current problems).

*Conferences*, as a rule, are conducted if it is necessary to make an important report; to approve decision on some problems; to instruct employees concerning performance of the important task; to refute rumours or false information. Conducting of conferences assists development and strengthening of the enterprise's policy, its implementation; integration of the activity of departments and services of the organization for achieving

common purposes; reasonable decision-making; awareness of employees about the results of the firm work and in a certain degree, training of all participants.

*A setting* is a form of organization of work of a constantly operating organ (board, committee, commission) or a group.

Quite often efficiency of such measures is not high and is not more than 10%. Efficiency and the proper level of organization of holding meetings, conferences and setting promote reduction of uneffective time waste of management and employees of the enterprise.

Organization of business conferences includes the following stages:

- preparation (determination of expediency of conducting, the list of participants, date, time and location, preparation of participants of the conference);
- conducting;
- decision-making.

When conducting a business conference its limitation in time is important: the optimal duration should be not more than one hour because the optimal duration of collective brainwork is 40-45 minutes. If the discussion of questions requires more long-term work, then in 40 minutes of the meeting it is necessary to declare a 10-15-minute break. During a conference the set time-limit must be observed, otherwise pre-conditions for an unbusiness like situation at the conference are created. An inalienable formal constituent is formalization of minutes, on the basis of which in future control of implementation of decisions made and tasks given to the employees is carried out.

*The conference* is closed summarization and decision-making. Actually, at this stage the question is about performers, the volume of works, the terms of their performance. It is also determined who will carry out control of performance.

The variants of decisions worked out on the conference can be further discussed and the most acceptable one can be chosen at the general meeting.

At present many companies, which have branches in different regions of the country and abroad, practice videoconferencing. These measures have a number of features of their organization: limitation of the number of participants present at one video camera (1-3 persons), the proper technical level of the equipment used; necessity of concentration only on the

topic of discussion; skilful communication with the use of the monitor, clearness and the sufficient volume during the performance, etc.

*Organization of business talks.* Business talks are the constituent of such administrative procedures as recruiting or firing of workers; performance appraisal; reception of visitors; consulting; business negotiations; unofficial meetings, etc.

Business talks are classified by character as official and unofficial; by direction as target having a special purpose (pursuing specific tasks) and general; by the degree of freedom as regulated and nonregulated.

Organization of a business talks includes the following stages:

- preparation of the talks (determination of its purpose and the range of the questions being discussed);
- drawing up the preliminary idea about participants (official position, political looks, public activity and merits, the range of interests, etc.);
- development of the strategy and the plan of the talk, preparation of the preliminary plan of presentation;
- rehearsal (it is possible). It is conducted in private or with a colleague; before it the information material, the sequence of discussion, digital data, quotations are analyzed;
- determination and coordination of the place and time of a talk with the partners;
- conducting of the talk. It is started with greeting and comprehension of the first impression about partners, their mood; the first part of the conversation is an opening part, its purpose is to take off tension and make a contact between interlocutors; then there is directly the conversation. At the end of the talk the conclusion is made;
- critical analysis of the results.

*Business negotiations* are intended for mutual exchange of opinions to get an agreement interested to both parties and to achieve results, which are optimal for all participants.

Negotiations consist of presentations and speeches and replies, questions and answers, objections and proofs. Negotiations can be easy or tense, partners can agree without effort or with great problems or in general they do not reach agreement. Therefore, for every negotiations it is necessary to develop and apply the special tactics and the way of their conducting. Objective and subjective factors and conditions of success of negotiations are distinguished.

Foremost, partners on negotiations must observe the following conditions:

- both sides must have interest to the item of negotiations;
- they must have sufficient authority in final decision-making;
- partners must have a sufficient competence, necessary knowledge in regard to the item of negotiations;
- they should be able to take into account interests of other side and reach compromises;
- partners on negotiations must trust each other in a certain degree.

Negotiations are collaboration, a dialog, therefore, it is important to be able to ask a correct question and listen to a partner. Negotiations are considered to be completed if an agreement is reached taking into account the interests of partners, and the results are analyzed and the corresponding conclusions are made.

*Telephone negotiations* are carried out if it is impossible or inexpedient to have personal contacts (the last one are preferable from the psychological point of view); they require maximum of brevity. For phone calls it is better to choose rather long intervals of time (it is better when it is a break in business) and to ring by series. Duration of a telephone conversation ideally should not exceed 5-6 minutes. In the conversation conducted with the normal level of volume the remarks, testifying retaining of attention are inserted from time to time. With the line disturbance recalling should be made by the person who rings first; he/she should finish a conversation (or the older person by age). As interlocutors do not see each other, it is necessary to ascertain upon completion of the conversation that all is correctly understood.

*The detour of working places* promotes the solution of operative questions. It must be not spontaneous, but planned measure aimed at achieving of several aims simultaneously. It is expedient to determine a route (especially in large organizations) beforehand; to attract depending on the aims, the leaders of the low level, specialists; to choose the most suitable time and notify those who should be talked to about a detour and its aims. In conclusion, it is necessary to analyze the results and carry out practical measures on the removal of the drawbacks revealed.

*Organization of reception of visitors.* Visitors are divided into two groups: subordinates and persons outside. With the purpose of organization of reception of visitors it is necessary to divide these two streams in time, setting different days and time, which must be strictly observed (if it is impossible, then to the deputy or a specialist are charged to conduct the meeting).

Visitors must not be kept waiting more than 10 min. Otherwise a leader needs to apologize for a delay and, if necessary, to postpone the meeting (not more than 30 min) or change the appointment.

Before the beginning of conversation it is necessary to warn a visitor about float time, and in the process of it to create the relaxed situation, support and activate an interlocutor with the purpose to understand the point of view of the visitor and formulate the opinion.

The meeting must be finished in the conditioned time. If it is delayed, a leader can use a great number of method, indicating that time is up: distinctly looking at the watch, demonstratively passing his papers to the visitor and getting himself something other to do, infirming directly about completion of the conversation, etc.

The typical forms of business communications are used in pharmaceutical industry, but of great importance are communications of a pharmaceutical worker, in particular, a pharmacist with a client. Specificity consists in the necessity of using pharmaceutical care, principles of pharmaceutical ethics and deontology, combination of social and economic tasks of pharmaceutical enterprises. In connection with a growing competition pharmacies have the aims of forming of the permanent contingent of visitors, attracting of new clients as a result of the high level service, creation of a positive image, etc.

Increase of the share of non-prescription medicines in drug sale requires a great attention to the consumer, proper informing and advising by a pharmacist. It should be noted, however, that sociological research gives not very much consoling results: more than half of non-prescription medicines are sold without additional questions from the side of a pharmaceutical worker. Less than 20% of clients are asked about symptoms; advice to appeal to the doctor is given less than in 10% cases.

Consultations are admissible mainly in the case of ordinary nosologies (cold, headache, heartburn, etc.). However, additional questions are needed even in such cases. For example, in the case of request to recommend a medicine for headache a responsible and ethic specialist will ask a question about the ordinary pressure; about other medicines used by a client to minimize the risk of side effects from the novel medicine. If a pharmacist considers that recommendations to the specific visitor in the situation without a medical diagnosis are dangerous for his/her health, he must say about this to the client.

Recommendations concerning the criterion of price for a medicine or participation of a pharmacy in promotion of products of a certain producer must not prevail over the recommendations concerning the criterion of the consumer utility.

The knowledge of the assortment, consumer properties of basic medicines, knowledge about parapharmaceutical products (medical equipment, cosmetics, etc.) give the possibility to consult a visitor of a pharmacy. It is expedient to have a special advisor in large pharmacies.

#### **4.4. THE CONCEPT, ROLE AND CLASSIFICATION OF DOCUMENTS AS A SOURCE OF ADMINISTRATIVE INFORMATION. THE ROLE OF OFFICE WORK IN MANAGEMENT**

One of the fixed assets of communication exchange is a document. **A document** (in translation from Latin is an "instructive example", "method of proof") is a material object containing a fixed information. The communication function of a document consists in information transfer in time and to the distance. With its help of data communication between the organization and its external environment, subdivisions of the organization, management and specialists, etc., is established and maintained.

The use of documents in management of enterprises provides solution of tasks of planning, financing, account and reporting, operative financial management, crediting, personnel providing, etc. Documents are a basic evidence of a fact when setting disputes with partners in the economic court or when considering conflicts between a worker and an enterprise in the court. An enterprise is under the obligation to present many types of documents during the check by the organs of the government tax service, complex documentary revisions and other verifications. The documents of an enterprise concerning the industrial and economic activity have a historical value and are subjected to be stored in the archive. The personnel documents have a special value as they reflect the labour activity of a worker and confirm the labour experience required for the charging of a pension.

Depending on a material carrier there are documents on paper, film, magnetic tape, disks, diskettes, puncher cards. Text documents are mainly used in the administrative activity, the information in them is fixed by some writing method: handwritten, typewritten or printed. Such documents made according to definite rules are usually named administrative, and their aggregate is called administrative documentation.

The work with documents requires ability to understand their variety, and for this purpose all documents are brought together to the uniform groups. They are classified by the content of the information, origin, direction, name, sources, terms of execution and storage, degree of validity and complexity, etc. According to these parameters the types of documents distinguished are given in Table 4.1.

Table 4.1 – Classifications of administrative documents

N	Classification attribute	Groups of documents
1	Specialization	General, special documents
2	Application	Organizational-administrative and reference documents
3	Origin	Internal and external documents
4	Direction (orientation)	Incoming and outgoing (“in” and “out”) documents
5	Sources	Basic and secondary documents
6	Form	Standard and individual documents
7	Way of drawing up	Manuscript and printed (or type-written) documents
8	Degree of openness	General, in-house and confidential documents
9	Terms of performance	Urgent, very urgent, common
10	Degree of complexity	Simple, complex
11	Stages of creation	Rough drafts, original documents, copies (duplicates)
12	Storage of documents	Documents of short-term (long-term, constant) storage
13	Validity	Authentic and forged (counterfeit) documents

Classification of documents allows to differentiate information streams and systematize documents by general features.

The choice of the classification feature wholly depends on the purpose set. So, as a result of the organizational function performed by management the group of organizational-administrative documents (OAD) is created. Documents belonging to it are conditionally subdivided into three groups:

- organizational documents (statement, Statute, instruction, regulation);
- order documents (order, direction, decree, disposition);
- reference documents (act, agreement, explanatory note, notice, reference, report, letter, protocol, application, etc).

Legal foundation for creation of organizational-reference documents are laws, decrees, decisions, regulations, orders of bodies of the legislative and executive power, as well as realization of executive, active, legal activity of organizations.

In pharmacies and pharmaceutical enterprises this group of documents functions in the field of planning, production, capital building, material-supply, sale, finances and credit concerning organizational issues, questions of labour and salary, etc.



Most widespread for pharmacies and pharmaceutical enterprises are such organizational-reference documents as order, agreement, letter, report.

**An order** is a legal act given by the leaders of organizations acting on the basis of undivided authority, for solving of tasks set before this organization.

**An agreement** is a document fixing the agreement of parties about institution of some relations and regulating these relations. The variety of agreement is a contract used, as a rule, in foreign economic trade activity of enterprises and organizations.

**A letter** is the generalized name of documents, which are different by the contents and sent by mail. For the purpose intended there are official and individual letters. By the content official letters are subdivided into:

- initiative (letters of inquiry, request, reminder, notification, claim, accompanying, guarantee, etc.);
- letters-responses (information, letter-prohibition, etc.).

The special group of official letters are commercial letters. They are made when concluding and implementing a commercial transaction on behalf of legal entities. Commercial letters by their functional purpose are divided into three types:

- inquiry – a response for an inquiry;
- proposal (offering) – a response for proposal;
- reclamation (claim) – a response for reclamation.

An inquiry is a commercial document, which is address of a customer to the salesman (in foreign economic relations – an importer to an exporter) with the request to give the detailed information about a product (service). In the inquiry, as a rule, the name of a product (service) and conditions of getting a product (amount, quality, model, brand, nomenclature, price, time of delivery, terms of payment, etc.) is designated.

An answer for an inquiry is sent by an addressee (salesman) when he is satisfied by the terms of the letter-inquiry. There is a proposal (offering) in it confirming the desire of the salesman to make a bargain with indication of its specific conditions, which can coincide with or not the conditions of the customer. If the customer agrees with the conditions of offering, he sends an answer – confirmation of their acceptance. At this stage the agreement is considered to be concluded, and subsequent actions will be related to registration of the agreement (contract) by the accepted form.

Letters-reclamations are used at the stage of agreement implementation when the conditions of the agreement are not executed fully or partly.

For commercial letters such requisites are recommended:

- logotype of the organization-sender;
- mail and telegraph address of the organization-sender;
- telephone number, telex, fax of the organization-sender;
- address;
- index and the date of a document;
- reference to the index and the date of the incoming document;
- headline to the text;
- text;
- signature of the legal entity;
- note about the presence of appendixes;
- note about the copies made to other addresses.

**A report** is a document containing information about the task implementation, preparation of measures, assignment of tasks and their performance, presented to the higher institution or a public person. There are two kinds of reports: periodic and nonrepeated.

Pharmacies make such reports as: about financial-economic activity for a month, commodity report, analytical reports, about staffing and disposition of personnel, about in-service training, etc.

Organizational-reference documents are also documents concerning the personnel and correspondence on statements, proposals and complaints. The personnel documents reflect different aspects of the labour activity:

- recruiting, transfer, discharge (statement, order, labour agreement, contract, employee data card, work record book);
- performance appraisal and professional improvement (appraisal sheet, decision of certifying commission, certificate);
- conduct and registration of the personal files (autobiography, personnel data sheet, copies of education documents, letters of recommendation, etc.).

**Office work** is the activity of administrative personnel on creation of documents and organization of work with them when performing administrative functions. The process of transferring information to a document is called documenting.

Organization of office work influences on an efficiency, economy, reliability of functioning of management, organization and the labour culture of administrative workers.

At the rational office work process leaders and specialists get rid of operations, which are as a result quality to them, and efficiency of administrative labour increases as a whole.

Providing control of documents execution and decision-making office work assists management for performance discipline.

The public importance of office work consists in service of citizens, satisfaction of their inquires. There are three kinds of office work service: centralized, decentralized and combined.

In the centralized system all operations related to the administrative documentation are concentrated in the administrative office that is common to the whole organization or at the staff-assistant.

In the decentralized system all operations connected with the administrative documentation are concentrated in different departments of the organization. As a rule, this system is used in organizations where structural subdivisions are territorially divided and remote from each other (associated companies, holdings, branches of firms, etc.).

In the combined system the part of operations with documentation is carried out at office (for example, reception and sending documents) and at the same time other part of operations are carried out both at office and in the subdivisions of the organization. Mostly it is used at big enterprises with the considerable volume of incoming and outgoing documentation.

Thus, the choice of the system of office work depends on the structure of the organization and spatial location of its subdivisions, the volume of document flow.

In pharmaceutical organizations the system of office work depends on the volume of document flow, and it is stipulated by the position of the organization in the hierarchical structure of management. So, office work maintenance of different type of associations is carried out by the independent office work staff: in wholesale-intermediary firms, pharmaceutical warehouses, bases, at the pharmaceutical factories office work is carried out by secretaries or file clerks, and in pharmacies it is carried out directly by a head or by one of his/her deputies.

The analysis of administrative activity shows that leaders of different levels spend for the work with documents on the average from 15 to 40%

of the working hours, including 5-10% on their composing and registration. With the purpose of rationalization of office work processes unification and standardization of documents is introduced.

Unification is institution of uniformity in composing and processing of documents. A paper format, names of types of documents, requisites, text are unified.

Standardization of texts supposes the following methods: stencil, questionnaire, table and the connected text (text-analogue).

A stencil is a text with blanks for variable information. The examples of the stencilled texts are certificates forms, notification forms for business trips, etc.

In pharmaceutical organizations the stencilled texts are: acts of products reception, commodity-transport invoices, requisition slips, etc.

A questionnaire is a text where permanent information is given as a list of questions with the strictly defined set of answers.

In the activity of pharmacies the examples of texts-questionnaires are forms of prescriptions, employee data sheets, etc.

Unification promotes reduction of terms of documents preparation, creates the possibility to adjust documents for processing by office equipment.

Standardization is institution and application of rules with the purpose of organization of activity in a certain industry for the benefit and with participation of all parties concerned to achieve the universal optimal economy while observing the conditions of application and requirements of exploitation.

The examples of documents reflecting standardization of requirements to quality of medicines are analytical normative documentation, quality certificate; standardization of medicines production is reflected by such document as industrial regulation, etc.

Standardization is characterized by stability of requirements, registration of changes and supervision after the observance of standards requirements.

#### 4.5. FLOW OF DOCUMENTS OF PHARMACEUTICAL ORGANIZATIONS

Flow of documents is movement of documents inside the organization since the moment of their creation or arrival till the moment of their fulfillment and sending for record keeping.

All incoming, outgoing and internal documents in an organization are registered. Their common amount for a certain period of time is the volume of flow of documents.

Correct organization of flow of documents promotes the operative moving of documents in management, even load of subdivisions and public persons, having a great influence on the administrative process on the whole.

The rational charts of flow of documents are developed taking into account the specificity of the organization and different categories of documents.

In pharmacy institutions the following kinds of flow of documents are distinguished: pharmaceutical, scientific and administrative. The essence of pharmaceutical flow of documents consists in organization of account and the directed movement of information documents concerning various aspects of medical products. That is simultaneously with receipt of new medicines in the chemist's network, documents of the information character displaying their properties and the rules of drug administration are distributed. Such documents include the drug information leaflet (package leaflet), surveys, pharmacopoeias articles, etc.

Scientific flow of documents provides movement of scientific and technical documentation in the organization. The most widespread documents of this group in pharmaceutical science and practice are books, monographers, textbooks, curricula, manuals, dictionaries, journals, normative and technical documents, price-lists, copyright certificates, patents, theses, author's abstracts, etc.

Administrative flow of documents includes a stream of the various information providing performance of organizational, scheduled, administrative functions. With the purpose of rationalization of work with administrative documents they are divided into two groups:

- the planned documentation (record and accounting documents);
- the organizational-administrative documentation.

Flow of documents in the organization should be operative and purposefully regulated. Implementation of these principles is achieved by observance of certain stages of flow of documents both incoming and outgoing documents presented in Table 4.2.

Table 4.2 – Stages of flow of documents

N	For incoming documents	N	For outgoing and internal documents
1	Processing of the document	1	Elaboration of a project of the document
2	Registration	2	Preparing of the document
3	Transfer for performance	3	Agreement
4	Performance	4	Signing (approval)
5	Sending and filing	5	Registration (in the day of signing)
		6	Sending, filing

*Registration of documents* is a record of the necessary information about documents with the subsequent filling in office work index and registration data on them. It is conducted for account, control and search of a document. Every document is registered only once: incoming ones – in the day of receipt; outgoing and internal ones – in the day of signing.

Some documents coming and created in pharmaceutical organizations are not registered. They are documents of material and statistical account and accounting, primary documents of record-keeping and accounting, price-lists, newsletters, norms of expense of material values, unimportant correspondence concerning behave on staff, administrative and other questions. Greater part of correspondence not requiring execution is not subjected to registration. Leaders of pharmaceutical organizations or their structural subdivisions approve the illustrative list of documents which are not subjected to registration by office work service:

- letters for information sent in copies;
- telegrams and letters about permission of business trips and vacations;
- reports about meeting, conferences, agendas;
- charts, requests, orders;
- information and reports;
- curricula, programs;
- advertising notifications, posters, programs of meetings, conferences;
- norms of material expense;
- congratulatory letters and invitations;
- book-keeping documents;
- printed editions (books, journals, bulletins);
- reports;
- forms of statistical accounting.

For registration of all categories of incoming and outgoing (internal) documents a single registration card is applied. It is filled by the typewritten or handwritten method. In institutions with little flow of documents all documents are registered in the special journal.

A registration stamp is put on a document at its receipt (on the bottom field of the first sheet from the right side). A stamp includes the name of the organization, which receives a document; date of receipt; registration index.

*Control after execution of documents* and made decision is the necessary element of organization of administrative labour and the important component of the office work process. The main task of control consists in providing of timely and high-quality execution of documents, as well as obtaining the information required for the estimation of subdivisions and performers activity.

Control of documents includes:

1. Control of execution of documents as for the essence of the problem set in them.
2. Control of execution of document as for the compliance of the content and the form of execution.
3. Control of timeliness of execution.

All incoming, outgoing and internal documents with terms of execution are subjected to control. Terms of execution can be:

- standard ones set by the corresponding Statutes and normative acts;
- individual ones ratified for a particular institution by the special list.

The count of the term of execution of incoming documents begins from the moment of their receipt, and for outgoing and internal ones – from the moment of signing.

Control of execution of documents is recommended to conduct on cards in accordance with the number of performers or terms of execution. On the card the date of execution of a document is indicated. A document is considered to be executed only in case that the questions put in it are solved and the correspondent is given the answer in essence. A person carrying out control periodically looks over the cards being in the corresponding heading of the card index. After execution documents are taken off from control by a public person who controls them and arranged into files.

*File* is a set of documents related to the specific question or area of the organization's activity and sorted into a separate cover or folder.

Classification of documents is fixed in the nomenclature of files, which is the systematized list of the files names with indication of terms of their storage. The nomenclature of files is approved by the higher organization and is valid during several years, however, annually it is specified and, if necessary, is reworked and approved again. Every file in the nomencla-

ture has its own index (number). The name of the institution, its structural subdivision, heading, index and terms of keeping are specified for every file included in the nomenclature. In a folder documents are attached during a year, i.e. the process of file forming goes. If new documents, not foreseen by the nomenclature, appear, it is necessary to have an independent file for them, and to bring their name additionally in the nomenclature.

The degree of execution of documents is characterized by the coefficient of execution calculated by the formulas (4.1):

$$K_{EX} = \frac{D_{EX} - D_{NE}}{D_{EX}} \rightarrow 1, \quad (4.1)$$

$$K_{EX} = \frac{D_{EX}}{D_{Tot}} \times 100 \rightarrow 1$$

where  $D_{EX}$  – is the number of documents executed during the period analyzed;

$D_{Tot}$  – is the total number of documents subjected to execution for the same period;

$D_{NE}$  – is the number of documents, which are not executed during the period analyzed.

By the terms of storage all documents are divided into three groups: permanent storage, long-term storage (over 10 years), temporal storage (less than 10 years).

The basic tasks of expertise of documents value are:

- determination of the content of documents subjected to the state storage;
- fixing of storage terms of documents, which are not subjected to the delivery to the State Archive;
- selection of documents with the expired storage term, which are subjected to destruction.

Expertise of documents value is carried out by an expert commission which includes 3-5 persons appointed by the order of the leader of this organization. Such committee is set up as required, but not rarer than twice a year. The meeting of the expert commission is recorded.

Expertise of documents value considerably facilitates their preliminary dividing into 3 groups – basic, operative and personnel.



The basic documentation most fully reflects the activity of institution concerning implementation of the tasks set and includes organizational, order and reference documents. All documentation related to these groups is subjected to permanent storage.

The operative documentation contains information if required for the current practical activity. Temporal storage terms are fixed for it. Documents of account and accounting belong to it.

Duration of documents storage is determined by the special lists. Standard lists are developed and approved by the Main Archives administration of the country. Storage terms of documents are fixed from January, 1 of the year following by the year of the completion of a file. After expiration of the set storage term files and the registration-control cards of the office work service of the organization are passed to the archive for permanent or temporal storage.

#### **4.6. ACCOUNT AND CONSIDERATION OF PROPOSITIONS, APPLICATIONS AND COMPLAINTS**

In office work of pharmaceutical institutions in conditions of their social importance increasing a great place is occupied by work with propositions, applications and complaints of citizens. This type of office work consists of the following stages:

- receipt and registration of propositions, applications and complaints;
- submitting of these documents for consideration;
- control after the terms of execution;
- timely response to the author about the results of consideration;
- account of propositions, applications and complaints with the purpose of their subsequent analysis and work with them; finding out the reasons of complaints.

Registration of complaints and applications is conducted in the Recommendations and Concerns, which is conducted by all enterprises of retail business regardless of their form of ownership. A worker of a trade enterprise the actions of whom give rise to criticism must inform about it the leader of the enterprise or his deputy not later than the next day and give writing explanations. The leader of the trade enterprise or his/her deputy is under an obligation in an a week's term to consider the entry, written in the Recommendations and Concerns, get the gist of the problem and take the necessary measures to remove drawbacks and violations in the work of the enterprise or to implement the propositions.

According to the results of consideration of the application the leader of the enterprise or his/her deputy must give in the Recommendations and Concerns the information about measures undertaken on the reverse side of the application of the customer (visitor), and in a week's term send a writing response to the declarant to the address indicated. The copies of letters-responses to the customers (visitors) are kept by the leader of the enterprise during a year.

The Recommendations and Concerns is the document of the strict accounting. The storage term of the fully filled Recommendations and Concerns is one year. The Recommendation and Concerns, which is not fully filled during a calendar year, is valid for the next year, the corresponding record is made about it in the Book. The analysis of all appeals and terms of their consideration is quarterly conducted, it allows the leader of the organization to get the clear picture of reasons of the origin of complaints and take measures for their removal and prevention.

#### **4.7. MANAGEMENT AND INFORMATICS**

Management is the process of acquiring, processing and transferring information from the point of view of technology. The work of a manager is related to the great information load, especially in administrative decision-making. Thus, the task is not only to acquire and process the information, but to generate and transfer of new productive information as an administrative action. So, the timely decision-making in the field of producing goods requires a wide spectrum of the information support about all directions of science and technology related to the products produced. A leader should have reliable data the most improved methods of production, industrial sale of technical innovations, the technical level of foreign product analogues, achievements of related industries and departments.

Efficiency of work of pharmaceutical organizations largely depends on plenitude and authenticity of information assisting the successful decision of many tasks of management. The leaders of wholesale firms and pharmacies should have information about the new achievements of science in the area of creation and manufacture of new medicines, market conjuncture, correlation of demand and supply on specific medicines among pharmacological groups, assortment policy, consumers and competitors, directive instructions of higher organs of management, etc. The leaders of pharmaceutical enterprises should solve a question about the most advantageous choice of suppliers, for this purpose the complete information is needed about the products produced and their price, about wholesale-intermediary enterprises, conditions of cooperation with them, about rating and reliability of firms, etc.

Perfect organization of scientific and technical activity is needed for leaders and specialists to get information about scientific and technological achievements in maximally short terms. It has become possible with appearance of informatics – new scientific discipline. It studies the structure and properties of scientific information, its theory, history, methods and organization. The *purpose of informatics* is development of optimal methods and means of acquiring, presentation, analysis, storage, search and distribution of scientific information.

The question of increase of efficiency of the information support is very actual for solving of management tasks processing of large information collection is required.

Efficiency of information processes in management is in a great deal determined by the degree of their automation. In the last decade the mass use of the new computer and telecommunication technique, forming on its basis of high-efficiency information-administrative technologies became the main directions of management reconstruction and its radical improvement. According to determination by UNESCO, **information technology** is a complex of interconnected scientific, technological, engineering disciplines engaged in processing and storage of information and methods of organization of its interaction with people and industrial equipment, their practical application and social and cultural problems associated with it.

The special value for reorganization of the management system has introduction of information management, which is considerably extends possibilities of the effective use of information resources by organizations. Development of information management is related to organization of the system of data processing and knowledge, their progressive advance to the level of computer-integrated management systems, covering all levels of management of a company: from general administration to the management of production processes. All levels are interconnected, and the feedback starting from the low levels promotes the necessary administrative decision-making on higher levels. Complete computer-integrated automation of management supposes cover age of such information-administrative processes as communication, acquiring, storage and access to the necessary information, its analysis, preparation of the text, support of individual activity, programming of solution of special tasks.

#### 4.8. MODERN TECHNICAL AND ENGINEERING AIDS IN MANAGEMENT

Based on development of theory and practice of informatics, as well as the use of traditional aids in combination with the new computer complexes the work on automation of administrative activity is widely developed.

The basic directions of automation of the information-administrative activity are:

- automation of processing of texts (electronic typewriters);
- automation of the information exchange (communications), including automatic telephone exchange, e-mail, videoterminal systems, local networks, video information systems);

automation of administrative activity on the basis of using of computer systems giving help in a decision-making process; electronic secretaries; creation and introduction of the computer-integrated internal system requiring alteration of organization of the managers activity of all levels.

Technical basis of informatization of management is provided by computers of high generations and modern communication means.

Personal computers combined in a network can be used for electronic processing of information, e-mail, access to the public databases and knowledge, solutions of individual scientific and engineering tasks.

Introduction of personal computers in the management system has a number of advantages. They are compactness, simplicity of their installation and operation, possibility of the operative use, change of the programs and information database.

Text processing systems are the problem-oriented computer systems having great functional possibilities. They are off-line (one-terminal) systems, systems of the collective use (less than 1000 working places), computers with text editors.

Photocopying machines provide an automatic two-sided printing-down (in any volumes) on the ordinary paper. They have a microprocessor management, high yield, the colours printing-down is also possible.

Communication means, telephone equipment provide telephone communication with the microprocessor control, transferring of data and texts. Means of communication is the combination of a telephone, microcomputer, minute-jumpers and modem, in this connection they can be used as an electronic notebook. The presence of modem provides the access of a subscriber through telephone networks to the data and knowledge bases.

Means for automation of documents archiving and search of information includes the nontraditional carriers of data: magnetic disks, microcopies, disks with optical records. Means of micrographs in combination with computers and communication means create the material and technical base of the high-automated institution. For storage of plenty of information an optical data storages devices with information transfer by means of the laser ray are perspective.

The video information systems are used for the automated service, combining possibilities of computer technique, communication means and television receivers. There are the systems of two kinds: "teletext" works one-way – from a source to the consumer, reproduces information on the monitor; "videotext" functions in the interactive mode where a subscriber working with computer can specify inquires.

Local computer networks provide an electronic information exchange and access to the central databases, as well as the collective use of expensive peripheral equipment which is available in the organization. Personal computers are also included in the local networks. As a result, autonomous processing of information at the site of its origin and the possibility of individual access to the general information resources covering by a network is provided.

The computer-integrated networks of an organization have the following functions: processing of data and texts, information transfer, automated input of information in the archive helping the leader in decision-making. Their composition includes terminal devices at separate workplaces (computer terminals, personal computers, electronic writing machines, etc.); devices of the collective use (printing units, electronic archiving devices, copy equipment etc.). Communication of these devices in the composition of one system is carried out through the big central computer, local network, digital telephone-exchanges of the organization, ordinary telephone network.

Computers are used in management mainly in the scientific and engineering calculations, information processing (including planning, account, forecasting, etc.), automatic management.

Computers application in management is related with the necessity of processing of economic information, transition to creation of the information management systems (Fig. 4.3).

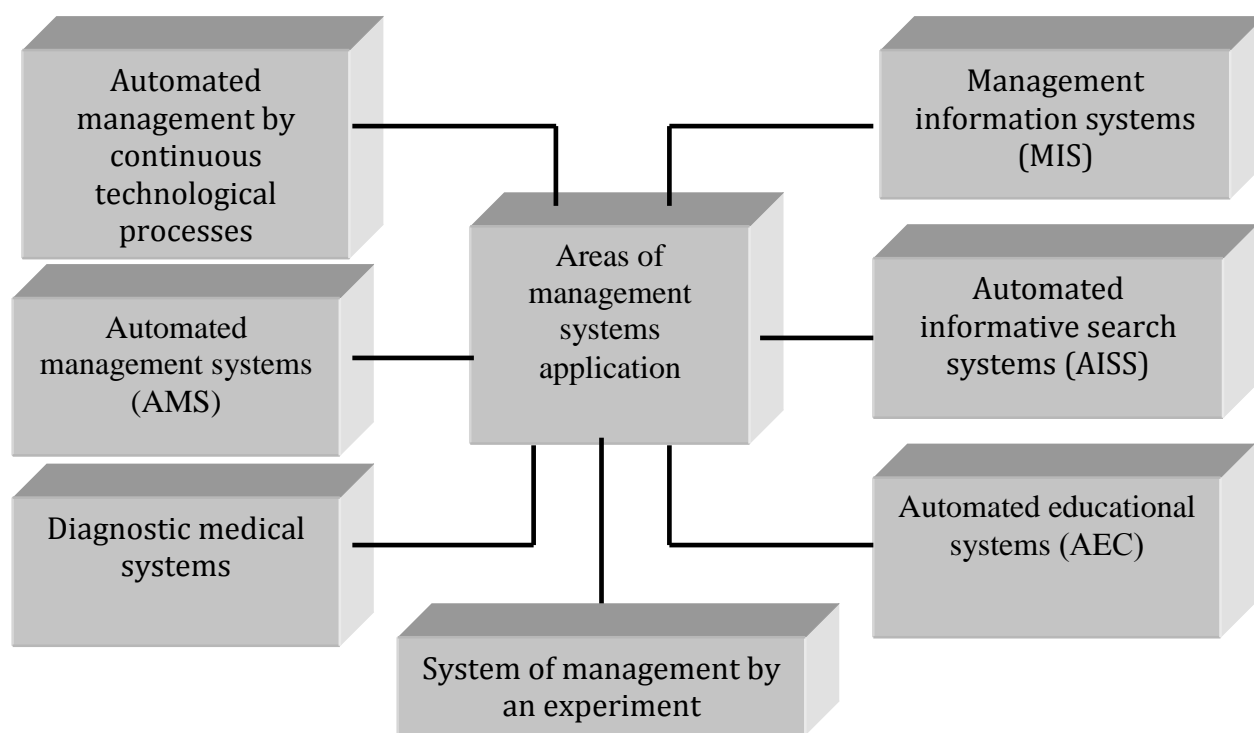


Figure 4.3 – Areas of management systems application

In the last decades in the business world of economic highly developed countries the value of technological sides of management as a main interlink between aims, principles of guidance and economic mechanism is truly reasonable. Reorganization of technical and technological base of management promotes implementation of effective administrative decisions into life in the field of production and sale, provides new functional high-quality possibilities of work of management of all levels.

#### **4.9. AUTOMATED MANAGEMENT SYSTEMS AND INFORMATION-ADMINISTRATIVE SYSTEMS IN PHARMACY. PROSPECTS OF AUTOMATION AND COMPUTERIZATION OF ADMINISTRATIVE PROCESSES IN PHARMACY**

*Automated management systems (AMS)* are the higher form of the complex use of technical and technological means of information with the purpose of increasing efficiency of management by productive, administrative activity of the organization, the labour productivity increase, improvement of methods of planning and regulation of management processes

AMS can be characterized as complex of interrelated economic and mathematical methods and means of scientific management by different spheres of the human activity. They increase validity of taking administrative decisions, efficiency and reliability of administrative activity as a whole.

The feature of construction of modern AMS is the hierarchical structure corresponding to the multi-level organization of the management system of economy. All levels are mutually related; it allows to combine resources, synchronization of a target complex programs, directed to development of industry.

Creation of AMS supposes conducting designs developments of a number of components providing the definite processes of functioning of the system as a whole. The following types of AMS providing are distinguished: information, mathematical and soft hardware. The information type includes preparation of statistical information and primary documentation; instructions to subdivisions and persons dealing with functioning of the system; economic calculations, etc. The mathematical providing consists in finding mathematical and logical dependences between the indexes and carried out by the engineers who set tasks for AMS. The soft hardware providing includes computer, communication means, set of program applications.

At present when the considerable experience of the organization in processing information with computer is accumulated, AMS are called to provide any types of information about the objects of management and the external environment, obtaining information about new methods and means of work, new phenomena in production, economy, science and engineering for providing of higher level of modern management, as well as to accumulate, keep and renew all information providing the search of the necessary data and their analysis.

The basic complex of tasks solving by AMS is presented in Fig. 4.4.

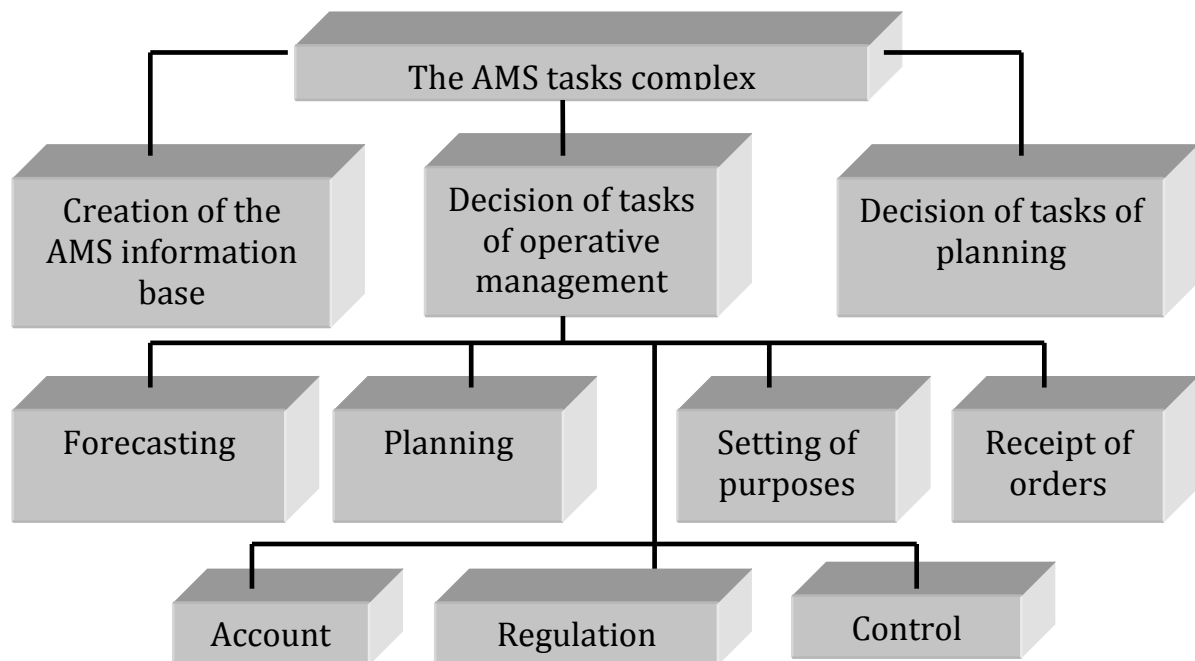


Figure 4.4 – The AMS tasks complex

The use of computers in medical research and processing of the results, computerization of methods of diseases diagnostics, automation of statistical processes are pre-condition to creation of AMS in the healthcare system.

Depending on particular tasks branch AMS in the healthcare system are subdivided into systems of organizational management intended for the automated processing of statistical data, patient history, formation of the reference systems, analysis of quality of medical service, etc. Medical processes management systems allow to carry out the automated control after the state of seriously sick patient, maintenance of vital functions of the organism in case of threatening states, processing of laboratory research, etc.

AMS "Pharmacy" includes the complex of tasks for improvement of medicinal provision of the population: organization of effective medicinal supply on the basis of analysis and planning of demand in medicines and items of medical use; account of commodity supplies and their moving in all links of the sale system; control after the activity of suppliers of products of medical and pharmaceutical assortment; implementation of administrative tasks associated with related to planning and financial activity, record-keeping, personnel records, information and reference providing, etc.

Unlike AMS used at different levels of the management hierarchy, the *management information systems (MIS)* serve for the information providing of administrative functions of leaders of particular organizations. The purpose of MIS consists in helping the leaders to manage with the stream of information inside and outside their organization, to take into account its impact on the activity of the organization and effective decision-making.

MIS is not the all-embracing computer-integrated system of collection, storage and distribution of information as AMS, and it rather consists of several of the information systems, each of which serves for providing of decision-making in some specific area. MIS takes into account distinctions between the levels of management, spheres of action, as well as external circumstances and gives information of the necessary type and quality to every manager. Thus, MIS does not suppose the obligatory use of computers.

To form effective MIS all types of administrative activity depending on the information needs of the leaders are divided into three categories: strategic planning, administrative control, operative control.

These categories of activity approximately correspond to the functional duties of the leaders of higher, middle and low links.



The information providing of the first category of administrative activity includes, as a rule, the questions of future co-operation between an organization and the environment in relation to the change of its aims, use and location of resources for achievement of these aims, etc.

Information for administrative control is required to the leaders of higher and middle links and should come both from internal and external sources. It is stipulated by the fact that this category of administrative activity is directed to production and requires the information about the work of subdivisions, productivity, competitors, etc.

Information for the aims of operative control should be exact, strictly specialized, almost always come from internal sources since it should assist effective and qualified implementation of specific tasks of subdivisions or the organization as a whole.

The general approaches to creation of MIS include five stages.

1. Analysis of the decision-making system. The process starts with determination of all types of decisions, for taking of which the information is required. The needs of every level of management and the functional sphere must be taken into account.

2. Analysis of information needs allows to determine what exact type of information is required for every decision-making.

3. Aggregation of decisions supposes their grouping according to the tasks of management and the corresponding co-ordination of MIS.

4. Planning of the process of information processing consists in developing the real system of collection, storage, distribution and modification of information.

5. Planning and control for the control system consists in creation and introduction of the system serving for estimation of the information given by MIS and allowing to recognize and correct the errors noticed.

Thus, efficiency of MIS depends on that whether the need of definite leaders are taken into account at the stage of planning, whether the users are trained to work with MIS, on the degree of economy of the system itself, etc. In addition, achievements in the area of technology of information processing, introduction of computers in the administrative process promote the efficiency of MIS.

Automated systems of the information providing of administrative activity should assist to the free access of a leader to information, the possibility to analyze, estimate its completeness and availability for substitution of decision-making to participate in the process of decision-making in the interactive mode.

In pharmacy was Automated information reference systems (AIRS) for medicines are widely distributed. With the purpose of increasing the efficiency, completeness and accuracy of information service of medical and pharmaceutical workers rendering the specialized help, AIRS for medicines, used in pulmonology, gastroenterology, psychoneurology, stomatology, dermatology, etc. were created.

*Automated working places (AWP)* created widely are the powerful impulse for conducting and development of interactive modes of an administrative worker with computer.

AWP is a working place of a leader or a specialist equipped by computing engineering equipment for performing the automated processing and reflection of information, required for implementation of production tasks.

In accordance with the functional duties of the user three types of AWP are usually distinguished: for the first leaders, i.e. persons making decisions; for functional workers of management carrying out preparation and performing of decisions; controllers (reviewers) dealing with collection and preparation of information for making decision and managing the processes for their performance. AWP of a leader should be multi-function, i.e. provide the possibility of the automated implementation of all necessary operations with any forms of information: texts, charts, video and audio recording. For this purpose all information should be accumulated in the corresponding data bases of AWP and extracted from them in the interactive mode with computer.

The most effective and perspective as the end computing devices are the problem-oriented automated working places of the managerial staff (AWP-M) providing performance of the following functions:

- collection, control, registration and storage of data;
- the effective access to information, its operative processing and reflection;
- decision of functional tasks of users in the on-line mode;
- the operative access to data bases of other computers;
- taking of the corresponding administrative influence to the objects of management;
- information on support of conferences.

The alternative variants of existent organizational AMS are the systems of automated working places (SAWP), which are functionally-

oriented AWP organized on the basis of personal computers connected in local networks.

SAWP possess high efficiency, revealing in a rapid reaction to the external impact (real-time operation), the possibilities of the operative information processing and high level of automation of machine data exchange.

SAWP is a high-quality new organizational form of using the computer aids providing passing to automation of the processes of preparation and administrative decision-making on the new technological basis. Besides, functionally-oriented SAWP possessing the developed possibilities of implementation of information-search and calculation-logical works acquire the features of the expert system.

The automated system of the product moving account has the special value in pharmacies and pharmaceutical networks. The process of retails and other types of the product sale is automated in such systems. The modules of accounting preferential prescriptions, modules of information location in different reference systems, modules of analytical information processing, modules of record-keeping and reciprocal payments with suppliers can be included in the system of the complex automation of pharmacies.

The information-technological providing of the process of movement of goods in a pharmacy allows considerably to reduce time of processing of accounting documentation, more exactly to substitute a request for the products of the pharmacy assortment and optimize the stock of goods, to control timely sale of medicines with the limited shelf-life, to investigate the market of suppliers of medical products with the purpose of their choice for concluding contracts, to conduct payment with the product suppliers, to carry out control and analysis of efficiency of work of structural subdivisions and employees of the pharmacy, to inform the population about availability of medicines in the pharmacy.

Technology of the leader's work is characterized by that he/she should complete the whole process of work with information and on the basis of the projects offered make a final decision of a particular question. Completeness and authenticity of information substantially influence on efficiency of decision.

A leader of a wholesale-intermediary pharmaceutical enterprise or a pharmacy should have the complete volume of administrative, scientific and technical, economic, social information at his disposal. Due to introduction of the automated working place he/she can get necessary operative information in the appropriate volume.

An economic effect from introduction of AWP appears up due to decrease of labour intensity of processing and analysis of information.

A perspective direction of administrative processes improvement is all-round creation of computer networks, introduction of new technologies, expert systems (systems of knowledge), automated educational systems, use of Internet.

### Questions for out-of class work

1. Give the definition of the concept of "communication".
2. Give the structure of organizational communications.
3. What are the components of external communications of pharmaceutical enterprises?
4. Which is the structure of internal communications of pharmaceutical organizations?
5. Specify the basic elements and stages of the communication process on the simplified model.
6. Explain every stage of the communication process on the simplified model.
7. What barriers appear during the information exchange in the organization?
8. Name obstacles on the way of interpersonal information exchange.
9. Characterize the methods of increase of efficiency of the communication process in the organization.
10. Name the forms of business communication.
11. Describe features and the process of organization of meetings, conferences, business talks, telephone negotiations, detour of working places, reception of visitors.
12. What is the specificity of business communication of a pharmacist with a client (visitor, customer)?
13. What is a "document"? What parameters are administrative documents classified by?
14. Give examples of the most widespread organizational order documents for pharmacies and pharmaceutical enterprises.
15. Give the definition of office work. What systems of office work exist?
16. Give the definition of flow of documents. What types of flow of documents are distinguished for pharmaceutical enterprises?
17. Name and describe the basic stages of flow of documents for incoming and outgoing correspondence.
18. What does expertise of documents value consist of?

19. Give definitions of "management technology", "information technology", "management informatics".
20. Which are the basic directions of the automation of information-administrative activity?
21. Name the modern technical means of automation of the information-administrative activity.
22. What spheres of the administrative activity are computers used in?
23. What are automated management systems (AMS)? Which are their tasks, features of their structure, requirements to them?
24. Specify the basic directions of using AMS in the healthcare system and in pharmacy.
25. What are the distinctive features of management information systems (MIS)? Which are the basic stages of MIS planning?
26. Describe the purpose of automated working places (AWP), name their types.
27. Name the spheres of using AWP in the activity of pharmaceutical enterprises. What tasks do they execute?

### Tests

1. Which concept does the definition "... is a process of a bilateral exchange by ideas, information, leading to mutual understanding" correspond to?
2. What type of organizational communications assumes distribution of the information about reduction of the number of workers, changes in the structure of the organization, new means of organizational influence, the personnel transfer, etc. correspond to?
  - A. External
  - B. Horizontal
  - C. Informal
  - D. Vertical
3. What is the type of organizational communications does transfer of the information using reports, explanatory notes, etc.?
  - A. External
  - B. Vertical downward
  - C. Vertical upward
  - D. Horizontal
  - E. Informal
4. Complete the list of stages of communication process:
  - A. Origin of an idea
  - B. Encoding of information and choice of a channel
  - C. Transfer of information
  - D. ...

5. Complete the list of concepts to which the origin of obstacles in interpersonal communications is related:

- A. Perception
- B. ...
- C. Exchange with nonverbal information
- D. Insufficient feedback
- E. The lack of ability to listen

6. Match the letters:

- A. Meetings
  - B. Conferences
- a) purposes have the operative character, take into account of corrections in the current activity;
- b) purposes consist in summarization, forming of future plans;
- c) the range of participants is limited by the specialists, who are responsible or interested persons;
- d) all personnel participates in discussion;
- e) the discussed problems are related to the current specific questions;
- f) general, accumulating for a certain period of time questions are a subject of discussion.

7. What concept does the definition "... – is the information fixed on a material carrier and having the legal force" correspond to?

8. Complete the list of functions of document:

- A. Information
- B. Administrative
- C. ...
- D. ...
- E. Historical

9. Complete the list of basic types of documents:

- A. Organizational
- B. Reference
- C. Order
- D. Personnel documents
- E. ...

10. What concept is reflected with the definition: " ... is movement of all documents in the organization from the moment of their reception or creation to end of execution or sending" ?

11. Match the stages of flow of documents to the types of administrative documentation:

A. Incoming

B. Outgoing and internal

a) creation of the project of document; preparing of a document; agreement; signing; registration; sending or filing;

b) processing of a document; registration; giving for execution; execution; sending, filing.

12. Match the type of flow of documents at a pharmacy and its essence:

A. Pharmaceutical

B. Scientific

C. Administrative

a) movement of scientific and technical documentation in the organization;

b) organization of account and purposeful movement of information documents according to the different aspects of medicines;

c) movement of various by the nature information, which provides implementation of organizational, planning and administrative functions by pharmaceutical enterprises.

13. List the stages of flow of documents for incoming documents:

1) ... 2) ... 3) ... 4) ...

14. Complete the formulation: Registration of incoming documents is carried out in 1) ..., and outgoing – in 2) ...

15. Complete the formulation: Flow of documents is 1) ... of documents in the organization from the moment of 2) ... to the moment of 3) ...

16. List the stages of flow of documents for outgoing documents:

1) ... 2) ... 3) ... 4) ... 5) ... 6) ...

17. List types of official letters according to their contents:

1) ... 2) ... 3) ...

18. Specify a purpose of registration of documents (incoming and outgoing) in the organization: 1) ... 2) ... 3) ...

19. The purpose of what scientific discipline is development of optimal methods and means of collection, search, presentation, analytical processing, storage, and distribution of scientific information?

20. *What concept does the definition: "... – is a complex of mutually related economic and mathematical methods and means of scientific management by different spheres of the human activity" correspond to:*

- A. System of management with the experiment
- B. Automated information search systems
- C. Automated management systems (AMS)
- D. Management information systems (MIS)

21. *What is not the task of AMS?*

- A. Solution of tasks of operative management
- B. Solution of planning tasks
- C. Creation of the information base of AMS
- D. Forecasting
- E. Planning
- F. Motivation
- G. Setting of purposes
- H. Receipt of orders
- I. Account
- J. Regulation
- K. Delegation
- L. Control

22. *Specify the types of the administrative activity, which is the basis of MIS formation?*

- A. Strategic planning
- B. Delegation of powers
- C. Administrative control
- D. Operative control
- E. Administrative decision-making

23. *What are not the stages of MIS planning?*

- A. Analysis of decision-making system
- B. Diagnostics of the problem
- C. Analysis of information needs
- D. Aggregation of decisions
- E. Expert estimation
- F. Planning of the process of information processing
- G. Formulation of criteria and limitations
- H. Planning and control after the control system



*24. What concepts does the definition: “... is a working place of a leader or a expert equipped by computer aids for conducting the automated processing and display of the information required for performance of production tasks” correspond to?*

- A. Management information system (MIS)
- B. Automated management systems (AMS)
- C. Automated workplace
- D. Automated training system

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## CHAPTER 5

### MANAGEMENT AND ENTREPRENEURSHIP

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This chapter explains the essence of entrepreneurship as organizational, economic, social and legal aspects of the entrepreneurial activity. The material presented can develop the necessary knowledge of modern business, relationships of business entities, the place and the reasons for government involvement in business activities, the significance of business ethics and social responsibility in a market economic system.

#### 5.1. THE ECONOMIC AND ENTREPRENEURIAL ACTIVITY. PRINCIPLES AND ORGANIZATIONAL FORMS OF ENTREPRENEURSHIP. REGULATION OF THE PHARMACEUTICAL ACTIVITY IN UKRAINE

The main content of market relations is the entrepreneurial activity associated with the profit-free and separate commercial entities – legal entities corporations and individuals.

Thus, **entrepreneurship** is an independent, initiative, persistent, implemented on your own risk activity for production of goods, work performance, service provision and trade for profit.

Entrepreneurship is based on the following principles:

- free choice of activities;
- involvement of business property and funds of legal entities and citizens;
- formation of an independent program of activities, the choice of suppliers and customers, setting prices in accordance with the law;
- attraction and use of logistical, financial and other resources which use is not prohibited or restricted by law;
- free recruitment of employees;
- free disposal of profit;
- an independent implementation of foreign trade activities by an entrepreneur.

Entrepreneurship has a number of common features:

- mobility, dynamics, that is, the search for new ways of action intended to lead to success since they are related with changes in products, technology, consumers, product quality, price level;

- freedom to find and select methods of economic activities in their variety, it determines the relationship of business and the market;
- searching for the clients, money, currency, material, links and contacts;
- entrepreneurship belongs to the relatively short-lived tactical methods of action and, therefore, it is not an economic strategy designed for the long-term period;
- entrepreneurship is carried out in conditions of high uncertainty;
- risk and liability, the threat of loss.

Countries with a market economy are characterized by a number of general conditions of business development:

- stability of state and social policy, which is the source of the entrepreneurs and investors' confidence that they will fall victim to short-term political decisions or companies;
- positive public opinion, that is relevant to entrepreneurship as one of the most prestigious occupations in society, friendly response to business failure;
- favourable tax treatment, providing effective incentives for opening new businesses and expanding the existing ones;
- a well-developed infrastructure of entrepreneurship: innovative centres, advisory centres and centres for training of entrepreneurs;
- an effective system of intellectual property protection, which covers not only inventions, but also all products, including new ideas, concepts and methods of the business activity;
- reducing the reporting, facilitating rules of registration of new firms.

In the emerging market major business entities continue to make state-owned enterprises. But the state monopoly property gradually gives way to other forms of property.

In Ukraine, according to the forms of ownership the following types of businesses may operate:

- a sole proprietorship based on the personal property of an individual, and only his labour;
- a family business based on the property and work of citizens of Ukraine – members of one family living together;
- private company based on the property of a citizen of Ukraine, with the right of labour hiring;
- a collective enterprise based on the ownership of the labour collective enterprises, cooperatives, other public charter, public and religious organizations;

- public municipal enterprise based on the ownership of the administrative-territorial units;
- state-owned enterprise founded on the basis of association of property of different owners (mixed ownership).

Among the subjects of the economic activity small enterprises that form the basis of small business are separately allocated. However, they are not a special form of entrepreneurship. The main criterion, by which the entity belongs to small businesses, is the number of employees, it will vary depending on the industry or activity.

There are five main types of business entity in the UK and the USA.

1. **Sole trader** or sole proprietor is when a business is owned and controlled by one person who takes all the decisions, responsibility and profits from the business they run.

Sole proprietorship business is suitable where the market is limited, localized and where customers give importance to personal attention. This form of organization is suitable where the nature of business is simple and requires quick decision. For business where the capital required is small and the risk involvement is not heavy, this type of firm is suitable. It is also considered suitable for the production of goods, which involve manual skill.

2. **A partnership form** of organization is one where two or more persons are associated to run a business with a view to earn profit. Persons from similar background or persons of different ability and skills may join together to carry on a business. Each member of such a group is individually known as 'partner' and collectively the members are known as a 'partnership firm'.

In a partnership firm, persons from different walks of life having ability, managerial talent and skill join together to carry on a business. This increases the administrative strength of the organization, the financial resources, the skill and expertise, and reduce risk. Such firms are most suitable for comparatively small business such as retail and wholesale trade, professional services, medium sized mercantile houses and small manufacturing units. Generally it is seen that many organizations are initially started as partnership firms and later, when it is economically viable and financially attractive for the investors, it is converted into a company.

3. **A private company** is a limited company that does not issue shares for public subscription and which owners do not enjoy an unrestricted right to transfer their shareholdings. The liability of its shareholding directors is

limited in the event of the company being wound up. Many private companies fall into category of small and medium-sized enterprises.

A small enterprise usually has not more than fifty employees and often considerably fewer, a medium-sized enterprise not more than 250-300.

4. **Public Company** or Public Limited company (plc) is one that can offer shares and securities to the public and is quoted on the Stock Exchange. Issued share capital (initial value of shares put on sale) must be greater than £50,000 in a plc. A Public corporation in USA is similar to plc in the UK.

5. **The franchisor** is the business which sells the right to another business (franchisee) to operate a franchise. The franchisor may run a number of their own businesses, but also may want to let others run the business in other parts of the country.

A franchise is a license allowing a distributor, trader or manufacturer to sell or manufacture a particular product or service (Table 5.1).

Table 5.1 – Advantages and disadvantages of types of business entities

Business entity	Advantages	Disadvantages
Sole trader	<ol style="list-style-type: none"> <li>1. Easy formation</li> <li>2. Better control</li> <li>3. Prompt decision making</li> <li>4. Flexibility in operations</li> <li>5. Keep all profit</li> </ol>	<ol style="list-style-type: none"> <li>1. Unlimited liability</li> <li>2. Limited financial resources</li> <li>3. Problem with continuity if a sole trader retires or dies</li> </ol>
Partnership	<ol style="list-style-type: none"> <li>1. Easy formation</li> <li>2. Larger resources</li> <li>3. Flexibility in operation</li> <li>4. Better management</li> <li>5. Sharing of risk</li> <li>6. Protection of minority interest</li> <li>7. Better public relations</li> </ol>	<ol style="list-style-type: none"> <li>1. Have to share profits</li> <li>2. Less control of business for individual</li> <li>3. Disputes over workload</li> <li>4. Problems if partners disagree concerning direction of business</li> </ol>
Private companies (private limited company)	<ol style="list-style-type: none"> <li>1. Recognized formal structure</li> <li>2. Limited liability</li> <li>3. Ability to pay dividends in lieu of salary</li> <li>4. Separation of personal and company assets</li> <li>5. Continuity of business beyond the individual</li> </ol>	<ol style="list-style-type: none"> <li>1. Formal structure</li> <li>2. Accounts available for public inspection</li> <li>3. Certain level of bureaucracy</li> <li>4. More record keeping</li> <li>5. More legislation</li> </ol>

Table 5.1 (continues)

Business entity	Advantages	Disadvantages
Public companies	<ol style="list-style-type: none"> <li>1. Limited liability</li> <li>2. Continuity of existence</li> <li>3. Benefits of large scale operation</li> <li>4. Professional management</li> <li>5. Contribution to the society through creation of employment, promoting ancillary industries, etc.</li> <li>6. Research and Development. It is able to raise funds and capital through the sale of its securities.</li> </ol>	<ol style="list-style-type: none"> <li>1. Costly and complicated to set up</li> <li>2. Certain financial information must be made available for everyone, competitors and customers included</li> <li>3. Shareholders in public companies expect a steady stream of income from dividends</li> <li>4. Increased threat of takeover</li> </ol>
Franchising	<ol style="list-style-type: none"> <li>1. Tried and tested market place, so should have a customer base</li> <li>2. Easier to raise money from the bank to buy a franchise</li> <li>3. Given right and appropriate equipment to do job well</li> <li>4. Normally receive training</li> <li>5. National advertising paid for by a franchisor</li> <li>6. Tried and tested business model</li> </ol>	<ol style="list-style-type: none"> <li>1. Cost to buy a franchise.</li> <li>2. Have to pay a percentage of your revenue to business you have bought franchisor.</li> <li>3. Have to follow the franchise model, so less flexible</li> </ol>

Entrepreneurship is always organized in a certain way. There are some organizational forms of business in Ukraine:

- investment and research firm, industrial parks, information centres and exchanges;
- industrial enterprises, transport, customs, trade, catering and social services;
- unions, associations, corporations and other business associations;
- banks, stock exchanges, auctions, trading houses, holding companies;
- legal, audit, consulting, marketing, service, leasing firms, companies;
- business entities: Company limited , Stock corporation , Holding, Franchise, Production cooperative, etc.

**Company limited** – is a society funded by one or few persons, the statutory capital is divided into parts, the size of which is fixed in the statutes. The partners of the society carry responsibility within their contributions.

**Stock corporation** – is the form of business ownership, which capital statutes is divided into definite amount of shares with the same nominal cost formed in shareholding

**Holding** – is the organization form of association when an individual company does not have production enterprises, but it owns the control packet of shares of other companies.

**Franchise** – is when a large known enterprise gives a small enterprise the right to use the trademark and technology for increasing the authority and trust of consumers.

**Production cooperative** – is the voluntarily association of citizens based on membership for a joint production or other economic activity, which is based on their personal labour participation.

The official status of the entrepreneur is acquired through its registration as a participant in self-employment or as a company.

**State registration** of business is made in the state register by the regional executive committee, City Council at the place of business or residence unless otherwise stipulated by legislative acts of Ukraine.

For state registration of businesses in the relevant executive committee of the Council of People's Deputies of the following documents:

- the application entrepreneur (a registration form);
- the decision of the founder and charter if it is necessary to create organizational forms of business;
- other documents (in the cases provided by law for certain organizational forms of entrepreneurship).

A certificate of registration issued by the body that carries out the registration, within one month. At the same time they are submitted to the tax office and the body of the state statistical information on the subject of a registered business.

Stages of registration of pharmaceutical companies (pharmacies) are:

1. State registration of business by the regional executive committee (state register).
2. Registration in the statistical office.
3. Registration in the State Tax Inspectorate, the Pension Fund, Employment Fund, the Social Insurance Fund in case of temporary disability, Insurance Fund of an industrial accident.

4. Getting permission for the manufacture of printing and stamps.
5. Opening a bank account.
6. Business licenses.
7. Permission for the object of trade in the city administration.

According to the existing legislation subjects of a pharmacy must be **licensed** in the following spheres:

- pharmaceutical manufacturing of drugs,
- manufacturing drugs in pharmacies,
- wholesale of medicines,
- retail sale of medicines.

The term of license is unlimited. Licenses are issued by the State office of medicines.

To work with narcotics, psychotropic substances and precursors the separate licenses of the Committee the Drug Control Ministry of Health are required. Production and sales of other pharmaceutical product range, including cosmetics, are not licensed.

There are such basic principles of licensing as ensuring equal rights and legitimate interests of all entities; confirmation of the applicant to exercise his responsibilities under this type of activity, protection of the rights and lawful interests of citizens' health, environmental protection, establishing a uniform procedure for licensing in Ukraine; publicity in licensing.

Means of **regulating** the state's influence on the activity of business entities is a government order, state assignment, licensing, patenting and quotas, certification and standardization, the use of standards and limits, price controls and tariffs, investment, tax and other incentives, provision of grants, compensation targeted investments and subsidies.

The State should exercise supervision and control over the business activity of business entities in the areas of:

- storage and use resources and property;
- financial and credit relations, currency regulation and fiscal relations;
- pricing and price, monopoly and competition, land relations, production and operation; consumption;
- foreign trade.



The mechanism of regulation of the pharmaceutical market includes:

- government regulation – through the budget, investment, monetary and other forms of economic policy;
- supra-national regulation – is carried out with participation of international organizations (e.g. WHO), the supranational bodies of the regional economic communities (such as the European Union);
- market regulation – carried out by means of competition, the dynamics of market prices, the self-balancing of supply and demand, etc.;
- corporate regulation – large transnational and national manufacturing and innovative pharmaceutical companies with complex marketing, computer technology (Internet-technologies) are not only studying the massive demand, but also form it.

Direct administrative regulation is optional and effective in the implementation of direct state control over the activities of business entities in the socially important pharmaceutical area, for monopoly markets, the prevention of negative side effects of market processes in the pharmaceutical market, the development and implementation of national and sectoral new standards, etc. Weighty forms of government regulation in the pharmaceutical field is the licensing and pricing of life-saving drugs, control over the production, trafficking and use of certain drugs, to establish rules prescribing and dispensing of medicines, etc.

The most important mechanism of the business activity regulation is a **competition**. Competition is an economic rivalry of separate producers for market share and profits, receiving orders, achievement gains. However, it effectively limits the ability of each of the business impact on the general conditions of circulation of goods in the market and stimulates the production of those goods, which a consumer needs. The development of free competition among businesses is encouraged by giving them orders for the competitive award of contracts.

Deregulation is one of the priorities of reforming management of the economy of Ukraine. It includes the following measures:

- simplification of procedures for establishment, registration and liquidation of business entities;
- reducing the list of activities subjected to licensing and patenting, the requirements of obtaining certificates and other permits for the business activity;
- limitation of checks and controls over the activities of business entities;
- simplification of customs clearance at export-import operations;
- provide consistent and stable legal and regulatory business.

## 5.2. TYPES OF BUSINESS ACTIVITY. THE IMPLEMENTATION OF BUSINESS TRANSACTIONS

In a market business appears in any economic sector and every enterprise. And since any economic activity associated with typical phases of the reproductive cycle (production – exchange – distribution – consumption), such types of business as the **industrial** (production, manufacturing), **commercial** and **financial** are distinguished.

**Manufacturing businesses** are mainly distributed to production and consumption of goods and services, commercial – to their exchange, and financial – circulation, the exchange of value.

In the manufacturing business the production function is major and the sales of products play the secondary role. Organization of industrial business should be considered to be expedient concerning the financial position if it has the annual income of at least 15-20% of the expenses.

In the industrial enterprise an entrepreneur initially elects the form of production activity, in other words, outlines what goods or services he intends to produce. Then he comes in contact with potential customers, buyers of goods or their representative purchasing, trade organizations to identify needs in the product and demand for it. In other words, entrepreneurship involves marketing activities. This first phase of transactions receives legal clearance in the form of a contract between the employer and the prospective buyer of the goods, although the conclusion of such contract is not always the case. In some cases, a entrepreneur starts a transaction without a formal agreement with another party, then performs in the role of a buyer and consumer of goods. In this case, the business risk increases significantly.

As a result of industrial and business activities and the corresponding transaction there is the sale of a certain amount of goods produced to a buyer and cash is reserved (Fig. 5.1).

Exchange of goods for money is the commodity-monetary, commercial procedure. This is a relatively independent sales transaction accompanying inevitably the production business, except the cases where the entrepreneur himself consumes completely the goods produced.

The financial, monetary result of the industrial business and the corresponding transaction is characterized by profit. There are gross (balance) and net (residual) income of an entrepreneur.

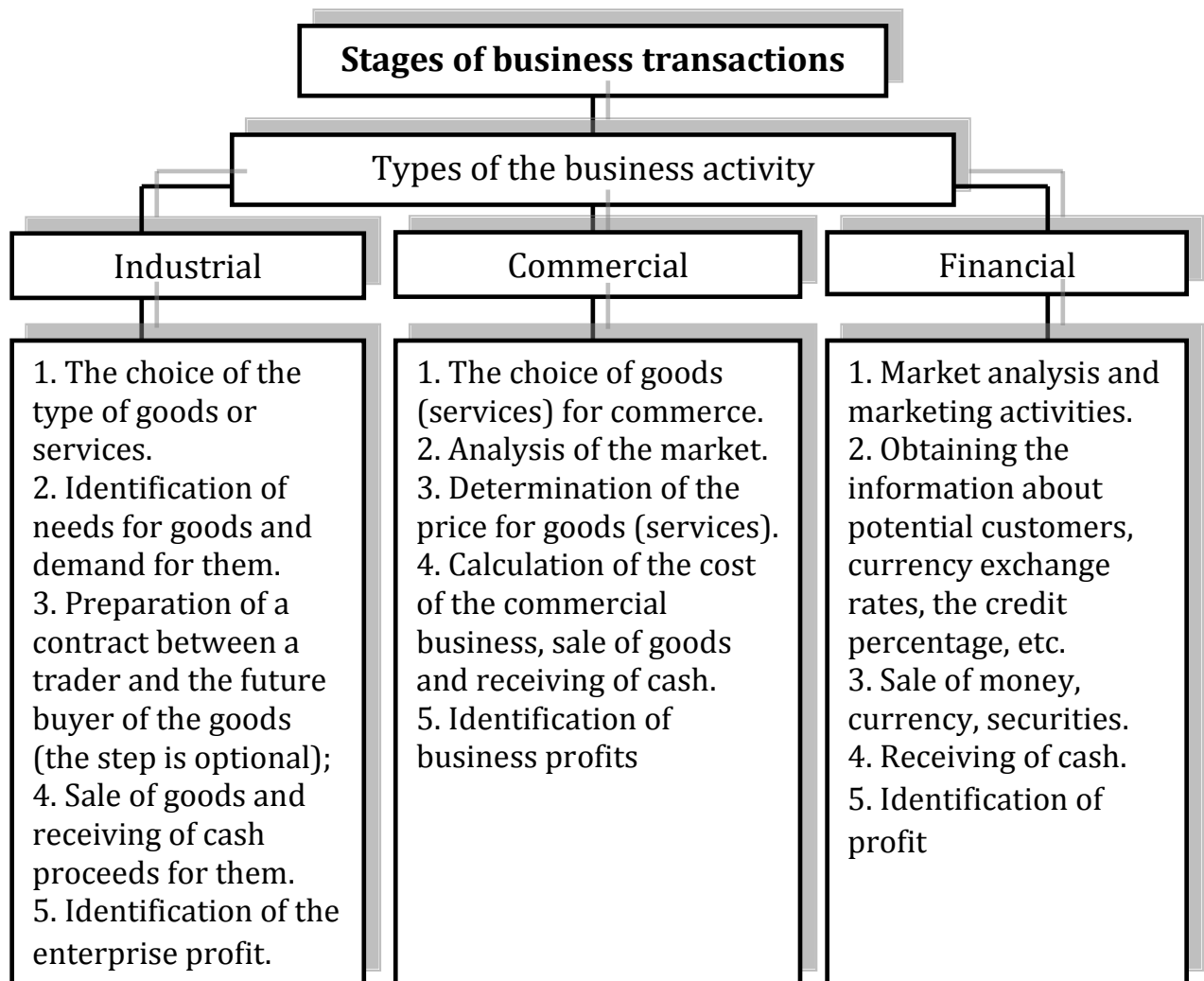


Figure 5.1 – Stages of business transactions

Gross profit represents the amount of money that remains after the payment of an entrepreneur for all his expenses, but before paying taxes.

Net income is determined by deducting taxes and mandatory contributions to the budget from the gross income.

Financial performance of the manufacturing business, its profitability is usually estimated by the ratio of the net profit to total production costs.

The **commercial enterprise** is characterized by the fact that a certain role is played by commodity-money, trade and exchange transactions. That is, the main thing in it is the deals with reselling the goods and services. Commercial businesses may be advisable if they provide the net profit at least 20-30%. Such high demand is due to a significant level of risk inherent to a greater extent to this type of business

The main content of the commercial business transactions is sale or resale of goods and services (Fig. 5.1).

Implementation of a commercial transaction begins with the choice of goods (services) for commerce. This takes into account two basic requirements:

- the sales price of the goods to be significantly higher than the purchase price;
- there must be the demand for this type of the product, which is enough to sell it in the scale of the planned transaction.

Thus, the first stage of a commercial transaction is the market analysis, which is resulted in the suggested volume of purchases and sales of goods. If the preliminary analysis and forecast of data are in favor of a commercial transaction, then the second phase starts – the development of a business plan, which includes a program of actions to implement the transaction, calculation of costs and benefits.

The **financial entrepreneurship** is a special kind of the commercial enterprise since a specific commodity – money, currency, securities – serves as the object of sale, and, consequently, the transaction

This type of activity is appropriate if for the transaction calculated up to one year the estimated profit is not less than 5%, and for longer-term deals it is 10-15%.

The general scheme of financial business transactions is similar to the pattern of a commercial transaction. Its first stage is also the market analysis and marketing activities related to searching, identifying and attracting of potential customers, money, currency, securities, finding out the source of their receipt.

As a stage of a financial transaction one may consider obtaining the information about potential customers, the currency exchange rate, the percentage of the loan, the terms of the financial and credit transactions and the order of their registration, the sources of resources required to the entrepreneur.

The main, the final stage of a financial transaction is the sale of money, currency, securities. For the effective transaction one must carefully check the financial solvency of a buyer, establish a possible bail, identify the guarantor, who agrees to stand bail for the buyer.

The result of a financial transaction is receipt in cash, which should be sufficient to cover all expenses and profits (Fig. 5.1).

### 5.3. PLANNING FOR BUSINESS. THE CONCEPT OF A BUSINESS PLAN, ITS STRUCTURE

The **business plan** is a complex plan of development of a company and along with the financial reporting it is justification for investment. The business plan based on the strategic development allows to:

- see the weaknesses of the strategic plan before the start of its implementation, make the necessary adjustments and avoid financial failure;
- establish the plan for all functional areas and ensure their relationship;
- assess the potential technical, resource and financial capacity of the enterprise;
- evaluate the effectiveness of the chosen way of development, profitability and return on invested funds;
- provide flexibility, mobility and quick response to the need for restructuring under the influence of external factors.

The purpose of the plan is, first and foremost, to give leadership of the company the most complete picture of the firm and its development opportunities. In addition, a thorough study of the business plan provides confidence for future investors in their investments and, last but not least, trust to the management company. The composition, structure and volume of the business plan is determined by the specific type of activity, the size of an enterprise, market size, the presence of competitors.

The business plan typically includes the following sections:

1. **Summary** – a brief and a clear result of the business plan. It contains data that give an idea of the project as a whole: the purpose and strategy of the business, product uniqueness, market potential, financial presentation of the project, volume, directions of using, the term of financing, frequency, duration and method of repayment, the composition of the management team.

2. **Brief information about the enterprise (business)** – when and why the company created, what it does, what features are its products or business ideas, management team (top management of the firm, experience of its past performance) market opportunities (information concerning the capacity and trends of the market development for products and services of the company) technology and products that provide a competitive advantage at the market, financial projects (plans for sales and profits over the next 2-3 years, the main items of expenditure and overall balance).

**3. Description of goods or services** – goods or services for sale and area of application, the purpose of the product improvement, the potential (the strengths of the products that provide competitive advantage).

**4. Market research and analysis** – the facts that prove that the products are competitive, potential customers, the motives of their purchases (price, quality, service, etc.), size of the market and its trends (market forecast for 3-5 years and its potential segments of the main groups of customers), competition (strengths and weaknesses of competitors' products from the standpoint of price, quality, service), sales forecast, the main potential customers (forecast sales for the first year – quarterly).

**5. Marketing plan** – the general marketing strategy, sales and service policy, advertising strategy, methods of working with groups of customers who will be subjected to the trading activities of firms, pricing (justification for product prices and comparing them with the prices of competitors, the difference between the cost and selling price, the impact of policy prices increase and expansion of the market); own channels of sales, services, trade intermediaries and other channels, their annual turnover, service and warranty services, provision of marketing (advertising production plans for publication, participation in exhibitions and direct contact with customers).

**6. Production plan** – the location of production (as far as it is convenient for connections with suppliers and customers, availability for transport, it is convenient for the state or the locality), equipment (methods of purchase and cost), production strategy, production process and the system of production planning, quality control production, organization of supply (providing the optimum ratio of the raw material, intermediate products and finished products), labour (the quantity and quality of manpower, personnel training activities).

**7. Financial plan** – start-up capital (the size of the initial capital required and its sources), the flow of funds, at least two years, the first year of a financial plan drawn up by month, the second – a quarterly basis.

**8. Development strategy** (risks and problems) – the basic assumptions, on which a business plan is based, the negative factors and the risk (analysis of strengths, weaknesses, opportunities and threats for the enterprise).

Adopted to implement the business plan is constantly refined, taking into account changes in the external and internal factors.

#### 5.4. BUSINESS RISK AND WAYS TO REDUCE IT. BANKRUPTCY. THE ELIMINATION OF BUSINESS

Implementation of business is a risk, which is called economic and entrepreneurial. In the general sense, *risk* is a threat, a danger of damage.

**Economic and entrepreneurial risk** is the risk that arises in any activities associated with production of goods, services, and their realization, commodity-monetary and financial operations, commerce, implementation of socio-economic and scientific-technical projects.

Since in these activities material, labour, financial and informational resources are used, there are the risk associated with the threat of complete or partial loss of these resources.

In other words, the risk is the threat that an entrepreneur suffers losses in the form of additional spending over and above the forecast provided, the program of his actions, or receive revenues below those on which he relied on.

**Entrepreneurial losses** are a random, unexpected reduction in business profits. In Fig. 5.2 there are the major types of losses.

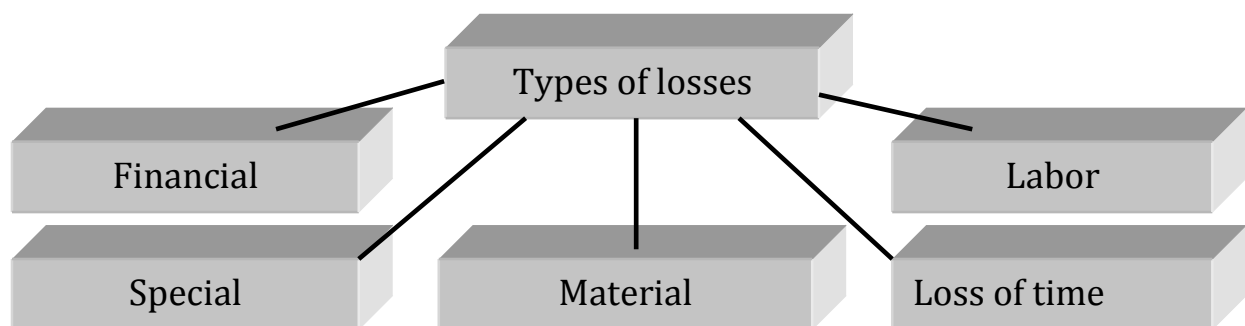


Figure 5.2 – Types of business losses

**Material losses** are revealed in the kinds of unexpected additional costs or direct loss of equipment, property, goods, raw material, energy, etc.

**Labour losses** are the loss of working time due to random, unforeseen circumstances.

**Financial losses** are direct monetary damages associated with unforeseen payments, fines, payment of additional taxes, loss of money and securities, debt defaults. Special types of monetary damages are related with inflation, changes in the exchange rate of the national currency, the additional removal of the enterprises money in the state or local budgets.

**Loss of time** occurs when the process of the entrepreneurial activity is slower than planned.

**Special types of losses** may be in the form of damage to health and life of people, the environment, the prestige of an entrepreneur and, as well as due to other unfavourable social, moral and psychological consequences.

When determining the business risk only the random losses, which cannot be directly predicted and, therefore, are not accounted for in a business plan, are considered. The sources of these losses are most often:

- political factors revealed in the increase of tax rates, the introduction of compulsory contributions, changes in contractual terms, the alienation of property and cash flows for political reasons;
- natural disasters, theft and racket;
- imperfect methodology and incompetence of persons who make a business plan and carry out the calculation of income and profits;
- dishonesty and failure of companions, etc.

With development of market relations the entrepreneurial risk and associated losses are inevitable. Therefore, the entrepreneur should not avoid risk, but anticipate it trying to reduce it to the lowest possible level.

Ways to reduce risk are to diversification, buying insurance, hedging, and getting more information about the choice and results.

**Diversification** is distribution of efforts and investments among a variety of activities that are not related to the main production and their results are not directly connected.

**Insurance business** is carried out by insurance companies through the sale of insurance policies. At the same time they unite risky operations at a large scale and create an insurance fund.

Insurance contributions are set higher than expected losses because insurance companies must pay their own administrative and staff costs. Therefore, some entrepreneurs prefer self-insurance as a way to avoid risk.

**The role of the information values** increases too. Typically, decision-making in conditions of uncertainty is based on the limited access to information. If the information is more available, entrepreneurs can make the best estimate for the problem to be solved and reduce risk.

In the process of business the entrepreneurs are not insured against a possible harm to anyone's interest, whether they are the interests of citizens, enterprises, institutions, organizations or the country. In this case, an entrepreneur bears the property or other statutory responsibilities.



As a general rule, a debtor is obliged to compensate his creditor for losses in full. If the property belonging to him is not enough to cover the debts and there is no way to financial recovery of the company, the business entity at the request of the creditor, as well as the prosecutor and other statutory bodies can be declared a bankrupt by the economic court.

In the general understanding, **bankruptcy** is the financial failure of legal entities, individual entrepreneurs and citizens who are unable to pay creditors on debt obligations and continue normal activities.

According to the analysis of the entrepreneurial activity the main causes of bankruptcy are:

- incompetence (managerial and service);
- unbalanced experience of a business entity, being an experienced manager a person may be an inexperienced businessman;
- the lack of experience in financial operations, the inability to establish and maintain business relationships and contacts.

The entrepreneurial activity can be stopped by the own initiative of the entrepreneur. As a rule, the reason for voluntary termination of business activities is the lack of interest in its continuation. In the same manner the specified activity stops in the case of the license expiration.

## 5.5. ENTREPRENEURSHIP IN THE FOREIGN ECONOMIC ACTIVITY

Foreign economic activity is the activity business entities of Ukraine and foreign business entities based on the relationship between them, carried out both in Ukraine and abroad.

This activity is performed in the form of a foreign economic contract, which is a specific kind of business agreement.

All subjects of the foreign economic activity should have equal rights to exercise any of its forms, which are not explicitly forbidden by the law regardless of the ownership.

The regulation of the foreign economic activity is intended to protect the economic interests of Ukraine and the subjects of management, the creation of equal conditions for business development in this area, encourage competition, monopoly and restrictions set by the state, corporate, governments, business entities, non-governmental organizations (trade, foreign exchange, stock exchanges, chambers of commerce and associations). The bodies of the state regulation of the foreign economic activities in Ukraine are the Verkhovna Rada (Ukrainian parliament), Cabinet of Ministers, the National

Bank, State Customs Committee. Special functions in monitoring and regulating the foreign economic activities are performed by the central bodies of the state governance, such as the Ministry of Economy, the Ministry of Commerce (formerly – the Ministry of Foreign Economic Relations and Trade).

The types of foreign business activities include:

- export and import of property and manpower;
- providing services to foreign subjects of business activity by the Ukrainian business entities, including production, brokerage, consulting, agent, auditor, etc., providing services to foreign business entities by subjects of the foreign economic activity of Ukraine;
- scientific, technical, industrial, educational and other cooperation with foreign business entities, education and training on a commercial basis;
- international financial transactions with securities in cases stipulated by the laws of Ukraine;
- credit and payment transactions between the subjects of foreign trade and foreign business entities, creation of bank credit and insurance institutions outside Ukraine by the subjects of the foreign economic activity, creation of the institutions mentioned on the territory of Ukraine by foreign subjects of the economic activities in cases provided by the laws of Ukraine;
- joint venturing between the subjects of foreign trade and foreign business entities, including joint ventures of various shapes and forms, joint business operations and joint ownership of property both in Ukraine and abroad.

An important role in the economic development of countries belongs to foreign investment. Foreign investment is a property investment in the country's economy by foreign entities – foreign governments, individuals and legal entities in order to obtain the material or nonmaterial values.

Foreign investors have the right to invest on the territory of Ukraine in the form of foreign currency, which is recognized as converted by the National Bank of Ukraine, any movable and real property and related property rights, other assets (property), which according to the law are recognized by foreign investment. Prohibition or limitation of any kinds and forms of foreign investment can be carried out exclusively by the law.

Foreign investors have rights to perform all types of investment in the following forms:

- participation in economic organizations, which are created with the domestic legal entities or citizens, or acquire shares in existing business organizations;

- establishment of foreign businesses in Ukraine, affiliates or other subdivisions of foreign legal entities, or acquisition of existing enterprises;
- acquisition of direct real or personal property, which is not prohibited by the laws of Ukraine, or acquisition of shares or other securities;
- purchase of their own or with the participation of citizens or domestic legal persons the rights to use land and natural resources in the territory of Ukraine;
- economic activities on the basis of product sharing agreements;
- acquisition of other property rights.

## 5.6. BUSINESS AND SOCIAL RESPONSIBILITY. BUSINESS ETHICS

**Social responsibility** implies a certain level of voluntary response to the problems of society and its members from the organization. This response is related to what lies outside the requirements defined by law or regulatory bodies. Fig. 5.3 shows the hierarchy of social responsibility of an organization depending on the degree of voluntariness of its actions.

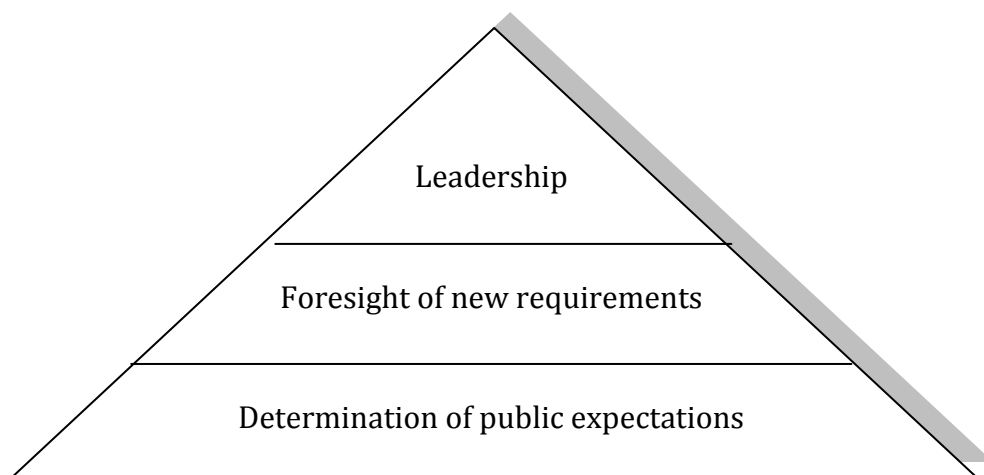


Figure 5.3 – The hierarchy of social responsibility

The law establishes a certain level of social responsibility for business, which is obligatory for implementation: the minimum wage for hired workers, control of the environmental pollution, prohibition of discrimination in any form, etc.

The first stage of the hierarchy of social responsibility includes not only legal compliance, but also recognition of the existing society's expectations by the organization.

The second stage involves a significantly higher level of social responsibility, since it includes prediction of new social demands, before they find a clear form of expression in the public thought.

The third stage of the hierarchy of social responsibility requires that the organization or its management are leaders in creating new forms of business and respond to social needs of society.

In the general understanding, **social responsibility** is activities of organizations responsible to the society that promotes improvement of management of social processes.

Currently, there are two points of view on how organizations should conduct to be socially responsible.

According to the first one an organization is socially responsible when it maximizes profits being at the same time in a legally restricted basis. By doing so, the organization performs the economic function of production of goods and services required for the society while providing simultaneously the work for people.

From another point of view, the organization in addition to the responsibilities of economic and legal character must take into account human and social aspects of the impact of its business activities on employees, customers, community structure, and make some positive contribution to solving social problems in general.

The difference of opinion gave rise to numerous arguments "for" and "against" for social responsibility in business (Table 5.2).

Despite credibility and validity of both positions, there is a clear advantage in favour of the concept of social responsibility. Adherence to the principles of social responsibility in business brings very tangible results to organizations. Leads to improved social conditions and living standards of workers, strengthening relations with the community, among which there are their clients, customers, business partners, and to sustained social stability in society as a whole, which is an important condition for effective implementation of the business.

Social responsibility of business today involves responsibility to the employee, the environment, consumers and society as a whole.

Responsibility to the worker is in that the entrepreneur is obliged to provide conditions, health and safety, payment not below the minimum level, as well as other social benefits, including social and health insurance, as well as social security in accordance with the current law. In case of disability, the employer provides the victim reimbursement provided by the law.

Table 5.2 – The list of arguments "for" and "against" for social responsibility of business

Arguments for social responsibility	Arguments against social responsibility
1. Favourable long-term prospects for the business (profit incentives by creating an attractive image of the company by the consumer)	1. Contravention of the principle of profit maximization as a consequence of diversion of resources for social needs
2. Changing needs and expectations of the general public (the consequence of reducing the gap between the new expectations in the society and the actual response of the enterprise)	2. Expenditure on social inclusion to increase business costs and ultimately contribute to higher prices
3. Availability of resources to help solving social problems	3. Insufficient level of reporting to the public (with the market system economic performance of enterprises is well controlled and their social performance is controlled badly)
4. Moral obligation to behave socially responsible (a company is a member of society, it must contribute to strengthening of the moral foundations)	4. The lack of skills among the staff in business to solve social problems (as opposed to professionals working in the relevant public institutions and charitable organizations)

Social responsibility in the field of employment provides elimination of discrimination due to ethnicity, race, sex, age, religion, disability or other characteristics. The differences in the work provided, and therefore, its payment may be due only to the skills, education and professional training of the employee.

The entrepreneur is obliged not to cause damage to the environment. For any loss or damage, the employer bears responsibility established by the law. Through support and funding of healthcare entrepreneurs contribute to implementation of national actions to improve the health of the population.

Among other forms of social responsibility in healthcare the purchase of drugs and sophisticated diagnostic equipment for hospitals, construction of medical and recreational complexes, sponsorship of medical treatment abroad, training and improvement of the medical personnel in educational institutions of highly developed countries, etc. are very common.

Active actions of the public encourages businesses concern more responsibly to consumers. In civilized countries with the market economies, consumers have the right to safety when using the products and services. For this purpose special organizations and committees on consumer protection are almost universally created. In some countries, in particular the USA, companies have their own departments of Consumer Affairs for consideration of their complaints. Most of the companies in economically developed countries make extensive use of feedback from customers, helping them to correct past mistakes and make decisions about new products and services based on the information obtained from consumers.

The social responsibility of enterprises of the pharmaceutical profile includes a number of aspects, including:

- compliance with state regulations concerning the professional responsibility of pharmacists;
- maintaining an adequate level of health of the population with the appropriate drug provision;
- development of the production base of pharmaceutical industry;
- development of environmentally friendly technologies for drug manufacture;
- expansion of research to create drugs of domestic origin;
- attraction of foreign investments and their effective use in development of production and marketing areas in the field of pharmacy;
- providing of the citizens of Ukraine with drugs and medical products in accordance with the doctor's prescriptions for as much as possible available prices;
- free drug provision of certain categories of out-patients;
- providing of the therapeutic efficacy of drugs on the basis of biopharmaceutical, toxicological and clinical trials;
- quality assurance of medicines in accordance with the requirements of special norms with respect to authenticity, purity and the quantitative content.

Along with social responsibility compliance with ethical standards in business is not less important requirement an entrepreneur.

The word "ethics" comes from the Greek "ethos", which means "character", "custom".

Business ethics as a form of professional ethics is the system of behaviour in business. It is compliance with business ethics that makes business the most efficient and profitable. In the market environment, ethical behaviour of companies is one of the most powerful factors in formation of the positive image, which, in turn, leads to commercial success.

**Business ethics** consists of a number of aspects. They are the relations between companies and the state, between producers and consumers, traders and customers, business partners, competitors, as well as between employees within the company.

Any human activity, including entrepreneurship, has ethical and legal criteria and frameworks. Laws developed by the state allow the community to enforce its will, which concerns the moral parameters of business. However, when simply following the laws it is not always possible to perform all socially accepted ethical standards simultaneously.

The foreign press or special business publications regularly give examples of unethical business of specific companies and firms, which activity, while being not the violation of law, nevertheless is qualified as unethical as it is in conflict with the moral and ethical norms of the society.

Most often, problems of the ethical nature arise in business relations with customers, competitors and partners.

The ethical side of the entrepreneur's relationship with consumers is the adequacy of advertising messages, packaging, labels, trademarks, the true characteristics of the prices for goods and services.

In this regard, employers must first submit to the demands of openness of information regarding their activities. They are obliged to publish their articles of association, the address, the name of the company, brand (logo, trademark and products advertising ). Thus, consumers and other market participants will know "who" is "who" at the commodity market. In addition, it reduces the risk of acquiring an anonymous product of questionable quality.

The absence of such information, as well as the contradiction between the subject of the activity and the published documents can be sufficient grounds to recognize the economic entity to be incapable.

There are strict rules as for the competition between businesses. The competition policy is one of the main conditions of business ethics. Its main objective is to ensure equal conditions of competition without allowing the substandard methods of competition, such as industrial espionage, bribery and hiring away of employees of the competing firm, the false negotiations in order to obtain secret information, etc.

Ethical rules in relationships of competitors prohibit the abuse of dominant position at the market and agreements aimed at setting monopoly prices, introduction of dumping prices, market division and discrimination against competitors.

There are many ethical criteria of the civilized business, but honesty and integrity of business relations occupy a special place. Market relations are based on trust between partners, high demands for themselves and others, the sense of duty. For the entrepreneur his word is the law. In the USA and Japan the multi-million dollar deals are made over the phone and no one doubts their reliability. The most important criterion for evaluating the business ethics is a mutual desire to continue business contacts.

The desire for a successful business encourages organizations to take various measures to improve the characteristics of ethical conduct of employees and administration officials. These measures include development of ethical standards, establishment of ethics committees, conducting of social audits and training for ethical behaviour.

Ethical standards describe the system of shared values and rules of ethics, which, according to the organization, its employees should keep to. Ethical standards reflect the goals of the organization and promote a normal ethical atmosphere within the organization and in relation to the external environment.

Many firms and companies compile the developed standards in codes of ethics for their employees. Thus, they proceed from the fact that the highest ethical standards will ensure high profits for the business; honest and fair attitude to employees, suppliers, customers, partners leads to more stable, long-term and more profitable activities.

On the other hand, bribery, extortion, gifts to the interested persons, fraud, use of information obtained in a confidential conversation, illegal acts in the interest of the company, etc., are prohibited by ethics.

A great importance for the conservation of the ethical atmosphere in the team is paid to analysis of the conflicts that arose because of violations of ethics and the resolution of which requires adherence to ethical standards. Most often this refers to the issues of protectionism, discrimination and unfair attitude to employees.

Ethics committees are established to assess the daily activities from the point of view of ethics. As a rule, the committee members are senior managers. Sometimes committees are replaced by a specialist in business ethics, whose function is to develop judgments on ethical issues related to the activities of the organization.

Teaching ethical behaviour of managers and ordinary employees assumes acquaintance with the ethics of business, increased susceptibility to potential ethical problems of the organization, etc. In most Western countries the business ethics is included in the curricula of schools of business, college, institutes and universities.



Therefore, the study of business ethics is of particular importance and relevance. Good focus on these issues will ensure the efficiency and reliability of commercial intentions in all areas of business and shield them from potential problems.

### Questions for out-of-class work

1. Give the definition of entrepreneurship.
2. What are the general conditions of business development?
3. What are the principles of business?
4. List the common features of business.
5. What are the main organizational forms of business?
6. Give the characteristics of the existing business activities.
7. Give a definition of "entrepreneurial deal."
8. What are the characteristics of the entrepreneurial activity in pharmacy?
9. What is the state support of entrepreneurship in Ukraine?
10. What is the procedure of the state registration of business?
11. What is the procedure and conditions for issuing licenses to carry out business activities in the field of pharmacy?
12. What is the purpose of a business plan?
13. Give the basic structure of the business plan and describe briefly each of its sections.
14. Define the business risk and provide ways to reduce it.
15. What are the types of business losses? Describe how they are revealed.
16. Describe the types of the foreign economic activity.
17. What is the essence of the social responsibility of the organization?
18. What are the main arguments "for" and "against" for social responsibility?
19. Name the main areas and forms of social responsibility of the entrepreneur.
20. What is the social responsibility of enterprises in the pharmaceutical industry?
21. Define the concepts of "ethics" and "business ethics".
22. What is the essence of the ethical standards of business with respect to consumers, competitors, partners, etc.?

## Tests

1. *What concept is characterized by the definition: "... is an independent, initiative, persistent activity implemented on your own risk and directed to production of goods, work execution, service provision and trade for profit"?*

2. *Complete the list of types of the business entity:*

- A. Sole trader
- B. Partnership
- C. Private company
- D. Public companies
- E. ...

3. *What form of business ownership does the definition: "... is the form of business ownership, which capital statutes is divided into definite amount of shares with the same nominal cost formed in shareholding" correspond to?*

- A. Stock corporation
- B. Company, Ltd
- C. Holding company
- D. Command society

4. *A pharmaceutical enterprise after the state registration should open the balance. Which document is not required for opening the balance by the enterprise as a legal entity?*

- A. Copy of statutes
- B. Certification of the state registration
- C. Application of the balance opening signed by a chief accountant
- D. The copy of the document confirming the tax registration of the enterprise
- E. A card with the signatures of those who will control the finances

5. *Which document is not given for the state registration of a physical person?*

- A. Registration card
- B. Document that confirms paying in a registration fee
- C. Copy of the certificate about inclusion of an applicant in the State register of physical persons – payers of taxes
- D. Copy of the certificate about conferment of the identification number of a citizen

6. *Shareholders have a discussion about their liability for breakage. Which kind of liability for breakage do shareholders of the joint-stock company have?*

- A. In the double sum of investment
- B. In the cost of the shares belonging to them
- C. According to the contribution and their property
- D. The risk is absent
- E. Unlimited and united

7. *The organizational form of association when an individual company does not have production enterprises, but it owns the control packet of shares of the other companies is called...*

- A. Conglomerate
- B. Trust
- C. Holding
- D. Syndicate
- E. Cartel

8. *Complete the list of the business activity types:*

- A. Industrial
- B. Commercial
- C. ...

9. *Which public authority have the right to issue licenses for production and sale of medicines?*

- A. Executive Committee in the place of location of a business entity
- B. Tax authorities
- C. Ministry of Public Health of Ukraine
- D. Ministry of Economy of Ukraine

10. *Match the funding sources of entrepreneurship:*

- A. Internal
- B. External
- a) funds of the entrepreneur and his partners in the statutory fund
- b) banks
- c) venture firm
- d) funds received as a result of the entrepreneurial activity
- e) funds received from the rental and sale of property of the company
- f) funds

11. *Match the concept and the essence:*

- A. Leasing
- B. Factoring
- C. Franchise

a) sale by the entrepreneur the right to collect debts agents for commercial transactions from future contracting

b) transfer of machinery, equipment, means of production and fixed assets to the long-term lease

c) provision of rights to manufacture, sale of goods (services) or creation of business and technology companies under the brand name to the entrepreneur

12. *What concept does the definition: "... – formulated by an entrepreneur the way of obtaining profit considered by him as the foundation of business?"*

13. *Complete the list of the main parts of the business plan:*

- A. Summary of the enterprise (business)
- B. Description of products or services
- C. Market research and analysis
- D. ...
- E. Production plan
- F. Management and organization
- G. ...
- H. Development strategy (risks and problems)

14. *What concept is characterized by the definition: "... the risk that arises in any activities associated with production of goods, services, and their realization, commodity-monetary and financial operations, commerce, implementation of socio-economic and scientific-technical projects"?*

15. *Complete the list of entrepreneurial losses:*

- A. Financial
- B. ...
- C. ...
- D. Special
- E. Losses of time

16. *Complete the list of ways to reduce the business risk:*

- A. Insurance
- B. Hedging
- C. Obtaining reliable and complete information about the choice and results
- D. ...

17. What concept does the definition: "... the financial failure of legal entities, individual entrepreneurs and citizens who are unable to pay creditors on debt obligations and continue normal activities" correspond to?

18. What concept is characterized by the definition: "... the activity of business entities of Ukraine and foreign business entities based on the relationship between them, carried out both in Ukraine and abroad"?

19. What type of the foreign economic activity does the definition: "... it is a property investment in the economy of the country by the foreign subjects of management with the purpose obtaining the material or non-material values" correspond to?

- A. Export
- B. Import
- C. Foreign investment
- D. Joint venture activity
- E. Consulting

20. According to which document import, export and transit of narcotic drugs, psychotropic substances and precursors are carried out in Ukraine:

- A. License
- B. Certificate
- C. Patent
- D. Letter of attorney

21. What concept is characterized by the definition: "... is responsible to the society activities of organizations that promote improvement of management of social processes"?

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## CHAPTER 6

# MANAGEMENT OF HUMAN RESOURCES AND PERSONNEL OF ORGANIZATION. LABOUR RELATIONS AT THE MARKET

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This chapter is devoted to the efficient management of human resources and the staff in the organization. The material presented covers the principles of formation and development of human resources, the pharmaceutical education system in Ukraine, the basic concepts of group dynamics, formal and informal groups, problems of conflict management, stress and changes, the role of ethical behaviour of managers and workers at the enterprises of the pharmaceutical profile, methods and forms of legal regulation of labour relations in organizations.

### 6.1. CHARACTERISTICS OF HUMAN RESOURCES AND THE PERSONNEL OF THE ORGANIZATION

First, the term “human resources” was introduced by academician S. Strumilin in the beginning of the twentieth century.

**Human resources** are part of the country's population, which by age and the state of health is capable of work. The structure labour resources include the able-bodied population of the working age (in Ukraine it is persons aged 16-59, except non-working disabled groups I and II and retired at a reduced list); and working teenagers under the age of 16.

Changing the workforce (recruitment, retirement and natural increase) that are not associated with migration of the population is called the *natural movement* of labour.

Human Resource Management is an integral part of economic management. It is aimed, firstly, at meeting the needs of the economy for skilled workers, and secondly, at ensuring full employment of the working population and its optimal distribution between sectors and across the country and, thirdly, at the effective use of labour resources.

The system of the human resource management, as well as any other system has a hierarchical structure. The main subject of management – the state – develops a set of economic and institutional measures aimed at the planned formation of human resources, distribution, redistribution and use

implementing them through the appropriate authorities at various levels. In Ukraine they are the Ministry of Economy, Ministry of Labour and Social Policy and the regional administrations of labour and social protection of the population at the state administrations.

The sectorial structure of the human resource management departments and divisions is presented by the ministries and departments, enterprises and organizations of the same name.

Management of human resources in pharmacy is carried out by the pharmaceutical authorities of both general and sectorial competence. The latter include the Department of the Personnel Policy, Education and Science at the Ministry of Health of Ukraine, at the regional level they are personnel services at the state administration departments of public health, pharmaceutical departments or other bodies which delegated management of pharmacy of the region. At the enterprise level there are the personnel services and structures of various sizes depending on the workload and specificity of a business entity.

The level of the pharmaceutical staff in Ukraine is lower than in other countries. The index number of pharmacists per 10 thousand of the population is in Japan – 11.8, Australia – 8.6, Poland – 4.3, Finland – 10.6, Belgium – 9.9, Italy – 7.7, Spain – 6.2, United States – 5.6, Ukraine – 3.5. At present Ukraine has about 43 thousand people with the pharmaceutical education, 43% of them are pharmacists.

**Problems of employment of the personnel.** Formation and development of market relations are associated with significant changes in the use of labour, movement of manpower, a significant excess of supply over demand; all these factors stipulate the existence of such category as the labour market.

The main functions of the labour market are to establish and maintain an elastic matching between demand and supply of labour, the proportional balance between jobs and the working population, the rational reallocation of labour resources across industries and regions, regulation of the optimal value of the price of labour, etc.

The most important sphere of labour market regulation is employment. **Employment** is a general economic category, which reflects the public system of work, conditions of employment, mutual relations between people in their participation in social activities.

The employment policy is carried at the state level and at the level of individual enterprises and corporations.

The state policy of employment is to activity carried out by the special services of the state activities aimed at regulating elements of the labour market.

In economically developed countries the national employment services appeared in the 20-s of the twentieth century. They have specific functions and tasks, including:

- research of the labour market (quantitative and qualitative analysis of the employment situation of the labour market, determination of prospective professions, etc.);
- collecting and accumulating the necessary information about vacancies, the number and composition of the unemployed;
- assisting job seekers in employment in accordance with their qualifications, abilities, capabilities;
- assistance in finding workers to fill job vacancies at the enterprises;
- providing career guidance services;
- assistance in getting the job, professional development and training;
- assistance in creation of new jobs, development of measures to overcome the loss of jobs due to restructuring, technical modernization of production;
- providing the work for the persons with reduced working capacity;
- providing financial assistance for development of entrepreneurship;
- providing the information to the public concerning the state of the labour market, demand for certain professions, the possibility of their receiving, etc.

To characterize the labour organization the term “personnel” or “staff” is usually used. **Staff (personnel)** of the enterprise is a complex of permanent employees who have received the necessary professional training and (or) have the practical experience and provide the activities of a business entity.

Depending on the functions the personnel of the company is divided into different groups:

1. *By category*: managers, workers, employees, security, etc.

Managers – are employees occupied managerial positions at the enterprises, and their deputies. They are directors, supervisors, as well as senior staff (chief accountant, chief engineer, chief economist and others).

The specialists are employees who perform special technical, economic and other works, in particular: economists, marketing consultants, accountants, inspectors, sociologists, psychologists, technicians, advisors, etc.



The composition of security includes security and fire services of the companies.

Workers (employees) are the category of the personnel that is directly engaged in the process of material assets creation, works performance and rendering services. Workers also include street cleaners, cleaners, security guards, couriers, cloakroom attendants. Workers are divided into basic, who are directly engaged in performing manufacturing operations to produce products, and support personnel that perform a variety of auxiliary work.

In pharmacies or pharmacy chains there are such categories of the staff: a) the management personnel (managers or directors, heads of pharmacies and their deputies, heads of departments, chief accountant, senior accountant, economist); and b) the pharmacy staff, including pharmacist; and c) the support staff – cashiers, packers, pharmacy cleaners, etc.

In the wholesale pharmaceutical firms there is the personnel management (the director and his deputies, heads of departments and the financial and economic services or the senior staff, as well as specialists – purchasing managers, sales managers, human resources managers, marketing specialists, etc.), the commercial and operational staff (pharmacists, cashiers, etc.), the support staff (packers, porters, cleaners).

2. *By profession.* Profession is a special kind of activity that requires some theoretical knowledge and practical skills. There are managers and specialists.

3. *By specialty.* Specialty is a type of employment within the profession, which has specific features, and requires an employee to have additional (special) knowledge and skills.

4. *By the level of qualification.* Qualification is a level of knowledge and labour skills or the skills needed to perform work of certain complexity by the corresponding profession or specialty.

Qualifying work requires special training of employees, knowledge, skills and abilities to perform certain types of work. Employees of the basic positions, professions and specialties are divided into several qualification categories: the highest qualification (with academic degrees and titles), highly skilled (employees with high education and extensive practical experience), and semi-skilled practitioners (without special education, but with a significant experience).

5. *By years of experience.* This grouping of the staff is determined depending on the current system of remuneration and management purposes.

6. *In relation to the property.* In enterprises the property owners and employees are distinguished.

The owner is an a person who participates in the business activity of the enterprise by his own work and the personal property (assets). An employee is involved in the business enterprise only by his personal labour.

7. *By the nature of labour relations* workers can be divided into permanent and temporary.

The composition and the quantitative ratio of certain categories of workers characterize the structure of the personnel.

The internal normative document of the entity that specifies the list of positions existing in the organization, the number of employees in each of them and the size of their monthly salaries is called the **staff schedule**.

An important role in the organization belongs to the personnel policy.

**Manpower policy** is a complex of socio-legal, organizational, economic and psychological measures of the state to form, use and renewal of labour (human) capacity. Under the personnel policy is meant a system of theoretical views, ideas and principles that define the main directions of work with the staff, its forms and methods. They are developed by the owners of the enterprise (organization), senior management, human resources department to determine the general direction and the basic of work with the staff, general and specific requirements for it.

## 6.2. PERSONNEL MANAGEMENT

**Personnel management** in the sense of managing people can be said to be part of the role of every person who is responsible for the work of others.

The personnel Management is that specialist function of management, which has the prime responsibility for the following:

- formulating, proposing and gaining acceptance for the personnel policies and strategies of the organization;
- advising and guiding the organization's managers on the implementation of personnel policies and strategies;
- providing the adequate personnel services for the organization to enable it to recruit, motivate and develop sufficient and suitable employees at all levels;
- advising the organization's managers of the human consequences of change.

Personnel policies, like any other corporate policies, are not just the preserve of a particular group of Managers. Such policies have to be agreed by the top management team as a whole, and approved by the Board. The role of the senior personnel staff is to formulate draft personnel policies and to argue the case for their acceptance. In many instances it will be the personnel department which provides the initiative for the introduction of new policies and the revision or rejection of existing policies.

**Principles of the personnel management:**

- orientation to requirements of labour laws;
- the account of the current and perspective personnel requirements of the organization;
- maintenance of conditions for reduction of turnover of the staff;
- observance of balance of interests of the organization and employees;
- participation in performing the personnel management of all interested sides, including trade unions;
- maximal care of each employee.

**The general tasks of the personnel management:**

- organization of the personnel recruitment and selection;
- organization of training and retraining of the staff;
- organization of allocation and rotation of employees;
- organization of pay and benefits (pensions etc.);
- accounting and planning of the staff requirements;
- relations with Trade Unions or Staff Associations;
- staff rejuvenation;
- formation of the administrative personnel;
- personnel marketing;
- personnel controlling.

**Workforce planning** is the use of planning procedures for a complete set of the staff and it provides for three successive stages:

- a) assessment of the availability of resources;
- b) assessment of future needs;
- c) development of the program to satisfy future demands, which implementation is based on a thorough analysis of the volume of demand and supply of labour, changes at the labour market and general economic conditions.

**Recruitment policies** constitute the code of conduct; which the organization is prepared to follow in its search for possible recruits in the market-place. There are external and internal sources of Human Re-

courses. The external recruitment include the publication of advertisements on website for job search, newspapers and professional journals, reference to the employment agencies, etc.

Most organizations prefer using internal resources since the movement of their own workers is cheaper, increases their interest, improves the normal climate in the team.

Pre-selection is carried out by a representative of the personnel department or the personnel manager using the analysis of Curriculum Vitae (CV) presented by an applicant.

**Curriculum vitae (CV)** is the way to inform the employer about the most important characteristics of the applicant for a job in the organization. Its purpose is to attract attention of the employer, encourage him to invite the applicant to the subsequent stage of selection.

*CV includes:*

- personal information;
- contact information (information about the place of residence, phone number, email address);
- the goal pursued by the applicant (usually it is getting a certain position);
- work experience (the description is carried out in the reverse chronological order, starting with the last position, one should pay attention to the acquired experience and skills);
- education (fundamental education, training, workshops, internships);
- additional skills (knowledge of foreign languages, computer programs, driving license);
- interests and personal characteristics (those that contribute to the growth of qualification in accordance with the vacant position).

Pre-selection can be performed also on the stage of the primary **questionnaire**, filled by the applicant. In addition to the information available in the CV, the profile may include additional questions of the organization (interests or activities related to the desired position, experience, skills, habits, etc.).

The next stage of recruitment is a **job interview**. The interview is a standard procedure according to the list of the structured interview questions, taking into account the specificities and needs of the company. This interview may be conducted by the HR manager (director), line manager and director of the company.

Determination of **wages and benefits** has a great importance as a factor of motivation for employment. The organization will not be able to recruit and retain qualified employees if it does not provide remuneration at competitive rates, stimulating people to work in this position.

**Professional adaptation**, which includes elements of production and social adaptation, contributes to employee's professional development, formation and development of his social and professional skills, the need for creative work, ability to establish relationships of cooperation and mutual assistance in the team. The most important indicator of professional adaptation is high level of the professional skill and personnel retention.

Education (training) of the staff promotes full disclosure of employees capabilities in the organization. Typically, training is needed in three main ways:

- a) when an employee comes to the organization;
- b) when an employee is appointed to a new position;
- c) when it is determined that the employee lacks the necessary skills for effective performance.

In the first case, the newly arrived workers are showed the programs, which give an idea about the purpose and structure of the company, its strategies and methods of operation, the general rules of behaviour of employees, work responsibilities and liability system, the conditions of employment, wages, dismissal, etc.

More efficient use of the personnel at work is due to the possibility of promotion. Therefore, specific forms of training such as certification, training in the system of improvement of professional skills that enable to identify prospective employees have special importance.

In the process of the human resource management system, a significant role belongs to performance assessment of labour of each individual employee, because his salary, status, etc. depend on it.

**Evaluation of an employee** is the assessment of compliance of the quality of his work with specific criteria. The most common criteria for evaluation of work are:

- professional knowledge and skills;
- the volume of work and its performance;
- the quality of work;
- initiative and creativity;
- reliability;
- ability to lead, etc.

Pharmaceutical education allows the graduates to implement the knowledge and skills as a head of pharmacy, and his deputy, the head of the pharmacy department. Specialists and junior specialists also may work in ordinary positions in pharmacies, pharmaceutical warehouses, laboratories, pharmaceutical enterprises, etc.

Last years with the development of the market economy specialists perform the functions of medical (sales) representatives, managers (purchase, sales, personnel, etc.), marketing specialists of production or trade companies, etc. Evaluation of the pharmaceutical personnel is carried out according to the job descriptions.

It is known that the efficiency of production depends on correct placement, training and experience of managers. Solving these issues is the task of the next stage of the process of the human resource management – leadership training and career management.

**Management training** is conducted for both the acquisition of skills required to implement the goals of the organization and to meet the needs of a high-level professional development. Education is carried out by collective or individual training, as well as by the career rotation. It has been found that the result is increase of devotion to the interests of the organization, motivation, productivity, decrease of the employees turnover and better use of skills of workers.

Assessment of work and the career management allow the organization to carry out its administrative functions, which consist in promotion or reduction in position, reassignment and termination of the employment contract.

**Promotion** is usually associated with the new vacancies opening in the organization. However, when a manager makes decisions about promotion, he takes into account the employee's ability to carry out the obligations corresponding to his new position effectively.

On the other hand, poor performance of official duties, a low level of professionalism, violations of labour discipline may be the cause of **relegation**.

**Reassignment** is used by organizations as a means to expand the experience of the employee, as the way to temporarily resolution of production problems, and it can also be connected with the health of the employee, the change of residence, etc.

The reasons for **termination** of employment may include the change in the organization's structure, retrenchment, dismissal according to the labour legislation, retirement, etc.

### 6.3. MOVEMENT AND RECORDING OF THE PERSONNEL. ROTATION OF THE PHARMACEUTICAL PERSONNEL

Any organization has a natural process of renewal. The task of managers is to analyze this process and implement it correctly. The manager must know not only the number of workers, but also the indicators of the movement of the personnel. The most appropriate in this case is the **balance method**. It is calculated by the formula (6.1).

$$Q_e = Q_b + E - R, \quad (6.1)$$

where  $Q_e$  – is the number of employees at the end of the forecasted period;

$Q_b$  – is the number of employees at the beginning of the forecasted period;

$E$  – is entry of workers over the forecasted period (young professionals, people coming from other regions or industries, temporarily unemployed persons, who started work, etc.);

$R$  – is retirement of employees of the forecasted period (retirement, admission to off-job training, calling up for military service, transition to another company, travelling outside the geographical region, death, etc.).

Accounting of the personnel at the enterprises is performed by the personnel departments; their functions include registration of the personnel files, analysis of the human resource potential of the company, selection of candidates for vacant positions, preparation of statistical reports about the number and composition of the specialists providing it to the higher organization, statistical offices, etc.

An integral part of the general movement of manpower is the personnel turnover. It involves the individual unorganized movement of workers between organizations.

In the statistical reporting the personnel turnover includes the employee's resignation which is more than 90% of all movements; dismissal at the initiative of the administration in connection with absenteeism, systematic violations of labour discipline on the side of the employee.

Among the causes for the staff turnover the following ones are primarily distinguished:

- dissatisfaction with conditions of work (organization of labour, wages, the lack of opportunities for professional growth);

- dissatisfaction with housing and living conditions;
- wrong relationships with the management or the staff, and then the motives of the personal character and other reasons.

Disorganized movement of manpower in the form of turnover plays definitely a negative role in the life of both the relocated employees, and society as a whole. In practice, the damage caused by the staff turnover is estimated by the following parameters:

- losses caused by downtime of equipment because of formation of vacant positions;
- reducing the quality of products, degraded equipment maintenance and poor performance of workers before their leaving the company;
- losses due to low productivity in the period of adaptation to the new place of work;
- unnecessary costs on business training, reception and dismissal of employees, etc.

Among the measures aimed at stabilizing and fixing of the personnel the most effective and realistic are:

- improvement of the career guidance activities in the human resource management system;
- organization of training, retraining and skills development;
- placement of employees at the working places based on their reasonable wishes and possibilities of production;
- development of the system of measures that reduce the period of vocational adaptation;
- improvement of the social structure of the production team;
- improvement of the system of remuneration and other material and moral incentives;
- improvement of working conditions and health of workers;
- improvement of housing, cultural and living conditions;
- creation of conditions for professional qualification of employees in the enterprise promotion;
- improvement of the style of management and educational work of the managerial staff, etc.

Fundamentally different from the turnover of the personnel is rotation, which is also a component of the overall movement. Rotation is movement, the turnover of the staff inside the system.



The system of the pharmaceutical rotation is the mechanism of motion control of the pharmaceutical personnel to ensure their personal responsibility and interest in the work done. There are several types of rotation. Spiral (horizontal) rotation provides for the movement of an employee at one level or seniority. Screw (vertical) rotation is the movement of an employee with his advance in office. Mixed rotation combines the features of the types mentioned above. An example of the mixed rotation is a pharmacist-intern rotation.

In relation to the system of "Pharmaceutical staff" rotation can be internal – moving of employees at the working places or the enterprise within the system and external – when the employee leaves the system moving to another sphere of activity (Fig. 6.1).

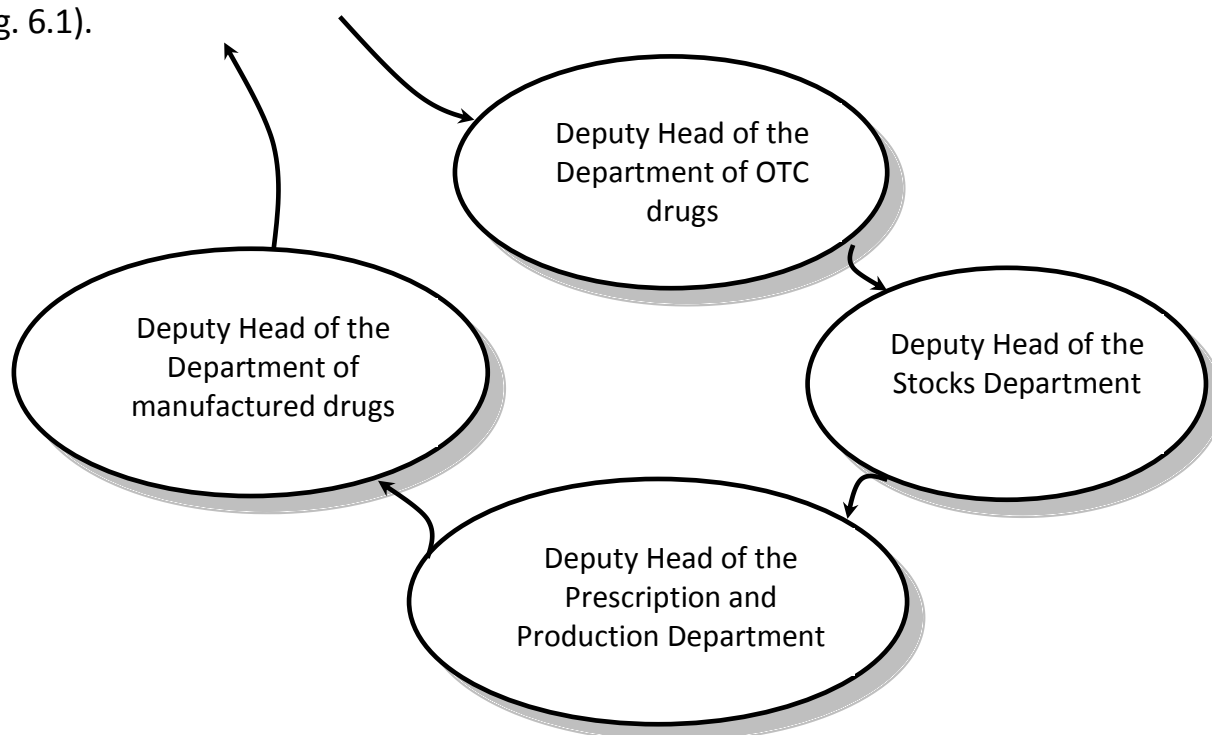


Figure 6.1 – The spiral (horizontal) rotation

#### 6.4. TRAINING OF THE PHARMACEUTICAL STAFF

The staged system of higher education involves training of specialists with higher education according to the following qualification levels: Junior Specialist, Bachelor, Specialist and Master.

During the general socio-economic transformations in Ukraine the pharmaceutical industry is undergoing major changes. The wide range of knowledge of professionals with pharmaceutical education puts forward special demands concerning the content and quality of their training, which includes formation of high competence, economic thinking, initiative and industriousness.

Complex knowledge gained by a graduate should provide the opportunity to engage in labour activities according to his abilities, desires and needs.

A **junior specialist** is the educational qualification level of higher education of a person, who gains the special knowledge and skills that are sufficient for performing production functions for primary positions in the certain type of the economic activity

In the pharmaceutical industry the labour of junior specialists is used for the preparing medicines in the pharmacy, dispensing non-prescription medicines and medical products, working in the pharmacy warehouse or in the analytical laboratory, etc.

A **bachelor** is the educational qualifying level of higher education of a person having received fundamentals of the special knowledge and skills of performing production functions on the basis of the secondary education for primary positions in the definite branch of the economic activity.

In accordance with the concept of pharmaceutical education and the training program for Bachelor of Pharmacy, he can take the positions of a pharmacist in the pharmacy, pharmacy warehouse, pharmaceutical enterprises, laboratories, except for managerial positions.

A **specialist** is the educational qualifying level of higher education of a person, who on the basis of the educational qualifying level of Bachelor have received the complete higher education, the special knowledge and skills of performing production functions for primary positions in the definite branch of the economic activity.

A pharmacist – specialist has traditionally the prevailing professional designation in the pharmaceutical industry, takes ordinary and senior positions in pharmacies, pharmaceutical companies (firms) in pharmacy warehouses, etc.

A **master** is the educational qualifying level of higher education of a person having received the complete higher education on the basis of the educational qualifying level of Bachelor, the special knowledge and skills of performing production functions of the innovative character for primary positions in the definite branch of the economic activity.

In Ukraine training of Masters of Pharmacy, as a rule, is carried out simultaneously with the preparation of a specialist and directed to a special in-depth, scientific, educational, teaching and research training in the same specialty in accordance with the list of specialties.

Currently, in the educational and qualification training "Pharmacy" includes such specialties as: Pharmacy, Clinical Pharmacy, The technology of pharmaceuticals, Technology of perfumery and cosmetics.

Training of junior specialists is carried out in Ukraine in the specialties of Pharmacy, Production of Pharmaceuticals, Analytical Quality Control of Chemical Drug Compounds.

The current structure of pharmaceutical education provides the most effective training and meets the international system of higher education. The staged system of training gives specialists the opportunity of professional activity of the appropriate level that will guarantee them protectability in the market conditions.

**Post-graduate training.** One of the components of a singled system of continuous pharmaceutical education is postgraduate education, which aims at accelerating the professional development and work adaptation of graduates of pharmaceutical higher schools.

There are the following stages of post-graduate education: *internship; specialization; topical improvement; pre-certification cycle; certification; probation; courses of information.*

The main objective of the **internship** is to improve the practical training of graduates, increase the level of professional readiness for self-employment, acceleration of adaptation to working conditions and training to pass the relevant qualifying examination for the title of a specialist. Training is conducted for a year.

The distance training is carried out at the working place in pharmacies, pharmaceutical companies, institutions according to the approved postgraduate training program. The full-time part of this training within two months is implemented by pharmacists-interns at the departments of professional development in higher schools.

At the end of internship training pharmacists (including those that take the master course) are subjected to assessment of knowledge and practical skills with qualifications in specialties General Pharmacy or Clinical Pharmacy.

**Specialization** (secondary specialization) aims at gaining the systematic theoretical knowledge, professional skills and abilities required for the corresponding specialty.

Specialization can be taken by professionals who have worked for at least three years of job placement after the initial specialization in the internship (with the exception of graduates with education by contract).

Secondary specialization is conducted: for new specialties; when expanding the official duties of pharmacists; when changing the staff schedule of pharmaceutical institutions; if there is the necessity of changing specialty by medical parameters; when transferring employees from the category of non-manager to the category of managers and vice versa.

The **topic improvement** also provides for all pharmaceutical specialties taking into account the specificity of the position and duties. The aim is to deepen the theoretical knowledge, develop new skills and abilities of certain aspects of pharmacy.

Cycle improvement is carried out in institutions or departments of professional development by such forms as:

- full-time form lasts 0.5-1 month with off-job training;
- intra-extramural form of studies consists of two phases: the first one is intended to study the literature and perform control tasks and the second one is conducted in higher schools with a day release course;
- field training provides the topic improvement at the site at the request of the regional management of pharmaceutical institutions or by direct contracts with the customer;
- intermittent courses – conducting the cycles of improvement with the partial day release course for one or two weeks a month at the site by the total duration of at least 72 hours.

Pharmacists usually have their topical improvement between the pre-certification cycles.

**Pre-certification** cycles are the form of obligatory training of pharmacists before the next certification for assignment or confirmation of the title of pharmacist-specialist II, I or higher category in accordance with the approved list of specialties.

At the end of the cycle evaluation a final exam is conducted in order to establish compliance with the actual skill requirements of a pharmacist-specialist to the specific qualification category. The Examination Board examines theoretical and practical skills and knowledge of pharmacists and decide whether to grant a certificate with the recommendation of the assignment (confirmation) of the corresponding category. The validity of the certificate is 1 year.

**Certification** promotes to continuous growth of pharmaceutical qualifications of employees. The main task of certification is to determine the level of professional training of specialists.

The pharmacy Specialist certification is carried out in two directions:

- the assignment of qualification categories (competency assessment);
- determination of knowledge and skills (certification for compliance with the position).

The purpose of **probation** is to acquire the necessary knowledge and practical skills to perform the duties of the position of in-depth pharmacist-specialist or higher level positions. Probation of the pharmaceutical staff is conducted in institutions of postgraduate education of government pharmaceutical organizations.

**Courses of information** at the site are designed to study current theoretical issues and obtain relevant practical skills. Workshops, trainings and presentations help to improve the professional knowledge of pharmacy specialists. Topics and their content must meet strategic or tactical goals of the enterprise.

In general, the system of postgraduate training contributes to periodic acquisition and renewal of the knowledge of experts, provides the proper level of professional readiness corresponding to the modern socio-economic transformation in the field of pharmacy.

## 6.5. GROUP DYNAMICS IN PHARMACIES AND PHARMACEUTICAL COMPANIES

The effectiveness of the organization is not only the efficiency of the leader, but his group as well.

Groups are a vital component of management. They can be defined as two or more people interacting with each other. Groups can be formal and informal.

**Formal groups** are created by the will of the head to perform the business process and achieve the goals of the organization.

In pharmacies and pharmaceutical enterprises formal groups are considered to be the departments in the pharmacy, wholesale companies, divisions of pharmaceutical enterprises, departments of pharmaceutical universities, etc.

There are three main types of formal groups: *the group of the leader, the working groups and the committees.*

The **group of the leader** is composed of a director and his direct subordinates, who, in turn, can be the heads of departments. The official task of this group is to manage the company.

In the pharmaceutical companies such group is also formed: in the pharmacy it is the head, his deputy and the heads of different departments; in pharmaceutical enterprises it is the director, his deputies and heads of departments, in wholesale firm- director, his deputies and the heads of departments (Marketing, Sales, Purchasing, Human Recourses, etc.)

The **working group** usually consists of individuals who work together to perform a specific task and solve important issues. The membership in this group is voluntary and duration of its activity is up to six months. Working groups also have a leader, but they differ from the group of the leader because they have greater autonomy in planning and implementing their work.

The **committee** is a group within an organization with delegated authority to perform any task or set of tasks. Sometimes these groups are called councils, commissions, or teams. Committees are created practically at all hierarchical levels of the organization. The most characteristic feature of the committee is a collective decision-making and implementations of actions, differing them from other formal structures.

There are two basic types of committees: permanent and special. The Special Committee is a temporary group created to achieve a particular purpose. The permanent Committee is constantly operating group within the organization, which has a clearly defined purpose.

Committees give organizations greater flexibility and responsiveness to change. They encourage employees to creative activities, develop strategic thinking, stabilization and improvement of intra-firm relationships.

In addition to the formal organization may be an informal organizational structure, which is formed spontaneously, regardless of the actions of the administration for relationships among employees at the interpersonal level.

The main reason for the entry of people into **informal** groups are a sense of belonging since a formal group is not always able to assist the implementation of this feeling, and often interferes.

Important motives that encourage people to participate in informal groups are the need of assistance, which in formal groups they can not always get, and the need to protect.

Besides, people tend to participate in informal groups also because they have the opportunity to establish wider contacts and communication with people whom they sympathize. No less important determinant of entry into an informal group is the interest in the direction and methods of the group activity or in a specific person.

The process of informal organizational structures development and the reasons why people engage in them influence on formation of the group's properties, which make them both similar and different from the formal organizational structures (Fig. 6.2).



Figure 6.2 – Characteristics of informal groups

First of all, informal groups and their leaders execute tight control over their members based on acceptable and unacceptable behaviour. To preserve their membership in a group, people adhere to these standards of behaviour.

An important feature of informal groups is resistance to change, which may include a threat to the existence of a formal group or its influence. Therefore, management of the organization must find ways to reduce this resistance.

Informal groups, as well as formal, have their own leaders. However, if the leader of a formal group is supported by the formal powers delegated to him in a particular area, the leader of an informal group receives authority from the group. As a rule, the leader of an informal group does not have a high executive position, but his power, influence and authority may go far beyond the formal organization.

Informal groups are characterized by both positive and negative features. So, they give employees an opportunity to find their place in the social environment, assist relaxation in stressful situations, facilitate communication within the organization, etc. Informal groups can benefit the organization as a whole if loyalty of the members to their group grows in to their loyalty to the organization.

Nevertheless, informal groups are often nonconstructive, prevent the organization in achieving the goals, can spread untrue rumours, which leads to conflicts in the team. The adopted group norms and standards of behaviour constrain the group members in performing their official tasks. The trend of resistance to change from the group may delay modernization of the company, its restructuring, etc.

However, regardless of whether the informal groups are deemed to be harmful or beneficial, if they exist, they should be taken into account. Modern management theorists recommend that managers of organizations should:

- recognize the existence of informal groups, work with them and their leaders, do not threaten their existence;
- beginning any actions take into account the possible negative impact of the informal group;
- reduce resistance to change from the side of informal groups, increasingly involving them in decision making;
- regularly give the necessary information to employees, thereby preventing spreading of rumors.

Which type would not belong to the group, its effectiveness depends on a number of common factors (Fig. 6.3).

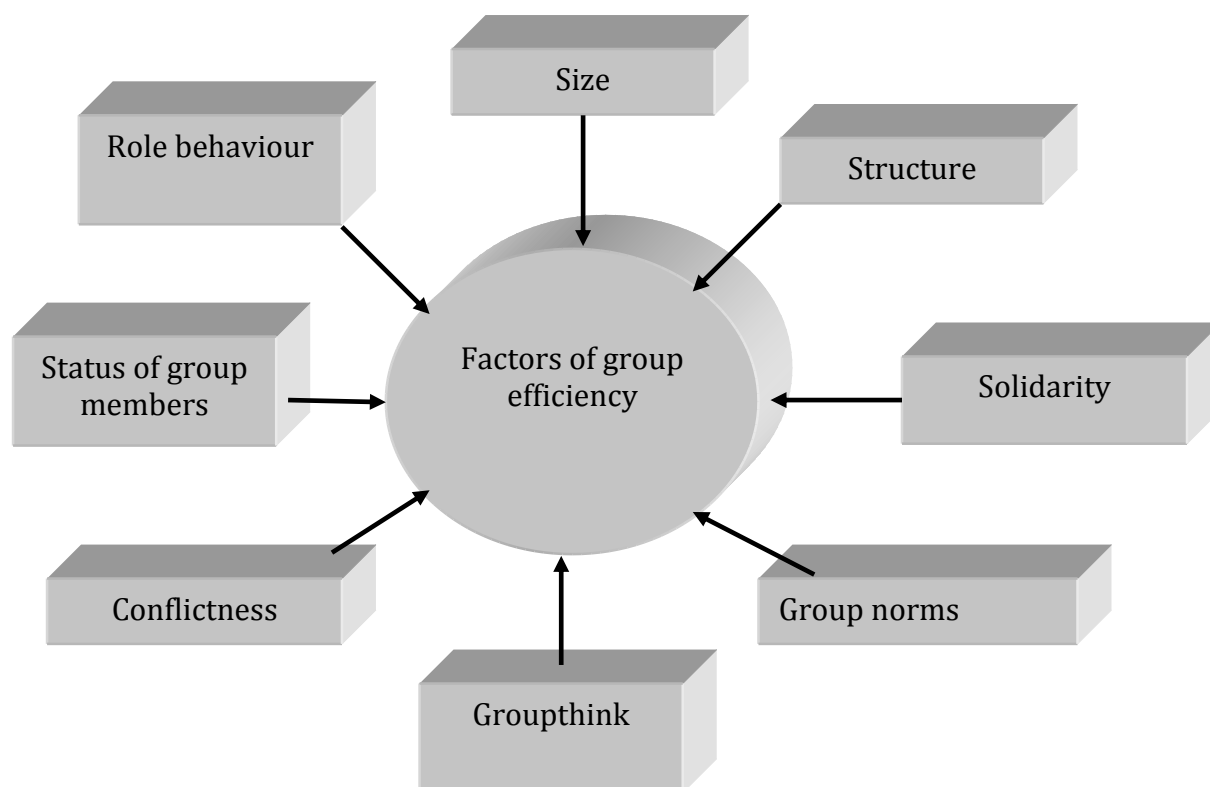


Figure 6.3 – Factors influencing on efficiency of the group

According to scientists thought confirmed by practical research a group of 5-11 persons is the most effective; decisions taken by them are more exact than in the groups that go beyond this number.

The success of the group depends on its **structure**. The term “structure”, as a rule, to be understood as similarity of personalities, attitudes, approaches, which they show in solving problems. It has been found that groups composed of different individuals are more effective.

Significant influence on the direction and impact of the behaviour of group members has observance of certain rules adopted by the group. The **norms** adopted by a group can have both positive and negative aspects. Positive norms support the goals of the organization and encourage behaviour aimed at achieving these goals. Negative rules give the opposite effect.

The effectiveness of the group depends on its **solidarity**. Solidarity is a measure of the attraction of group members to each other and to the group. It can also be both positive and negative. In groups with the high level of solidarity there are little misunderstandings, mistrust, problems in communication, and therefore, higher productivity.



A negative consequence of the high degree of solidarity is **group-think**. This trend of suppressing the individual personality of his real views on any event in order not to disturb the harmony of the group. It reduces the effectiveness of group decisions, because alternatives are not voiced, and therefore, not discussed or evaluated.

However, on the other hand, sharp differences of opinion increase the probability of potential **conflicts**.

The **status of group members** is the factor that should be especially considered to evaluate the effectiveness of the group work. There is an opinion that the higher the person's status is, the more he influences on the decision of the group. However, it is advisable to consider the ideas of all group members regardless of the status.

Another critical factor that determines the effectiveness of the group is the **role behaviour** of each of its members. There are two ways to create roles for a normally working groups: the role of the intended target in order to select the group tasks and execute them; supporting roles include behaviour promoting to support and intensify the life and work of the group.

## 6.6. MANAGEMENT OF CONFLICTS, CHANGES, STRESSES

Conflicts are inherent practically to all actively functioning organizations since each worker has his own aims, aspirations, interests.

In the common understanding, conflict is the absence of consent between two and more sides, both organizations and individuals. Under a conflict it should be understood also the collision of the oppositely directed tendencies in the psyche of an individual in relations with people and their formal and informal groups associated with distinction of outlooks, positions and interests. The main loss from a conflict is that sides can not normally satisfy their needs. At the same time, from positions of modern management, conflicts in a number of cases are the desirable phenomena because they can reveal the variety of ideas, serve as a source of additional information, render assistance to finding of alternatives or problems, etc. Thus, conflicts can be functional leading to increase of efficiency of the organization's activity, and dysfunctional having a reverse result.

The result of the conflict in a great deal is conditioned by the ability of a leader of the organization to handle it, as well as by knowledge of causes of the conflict, the presence of the real possibilities of influence on its progressing.

In practice, there are four basic types of conflicts: intrapersonal, interpersonal, between a person and the group, intergroup.

**Intrapersonal (internal, inside) conflict.** It can be shown in the form of the role conflict when the inconsistent requirements are demanded to one person. It can arise also when the organizational requirements are not coordinated to the personal needs and values, and also may be as the answer to a working overload or underloading.

**The interpersonal conflict.** It is the most widespread kind of the conflict. For example, it may be the conflict between two candidates for one vacancy or collision between two persons with different personal characteristics, outlook and values.

**The conflict between a person and the group.** The industrial groups establish norms of behaviour and manufacture. The deviation from the established norms of the group develops into the conflict. Similarly, conflicts can arise on the basis of official duties of the chief.

**The intergroup conflict.** As the organization consists of a set of formal and informal groups, there can be conflicts between them. Divergences can be revealed in the form of interfunctional conflicts between linear and staff subdivisions, and also as collisions of formal and informal structures.

In the activity of the organization several aspects such as organizational-economic, production, technical, social and psychological ones are organically combined. Thus, the state of the psychological climate among the staff is directly reflected on the results of its activity, on relations of workers. The results of some research show that the losses from conflicts are approximately 15% of the total working hours, in particular due to the fault of a leader there are 46-52% of conflicts, due to psychological incompatibility of employees – 33%, the wrong selection of the personnel – 12%.

Within the framework of the organization the following forms of the conflict fight are distinguished:

- boycott is complete or partial refusal or deviation of actions in behalf of those who are considered to be opponents or competitors;
- sabotage is conscious actions with the purpose of the concealed infliction of damage to interests of others;
- persecution;
- verbal aggression;
- physical violence;
- mass spontaneous or organized actions (strikes, mass meeting of protest).

Management science examines several main causes of conflicts. As a rule, one part of conflicts is caused by the labour process, another – by psychology of human relations, the third one is in the personality sphere.

One of major causes of conflicts is resources scantiness and different approaches to their distribution. Even in large organizations, resources are always limited, therefore, one of the sides will consider itself to be unfairly deprived.

Quite often the cause of conflicts is in dependence of some people on the others in the process of solving of production tasks. Some types of organizational structures are directly contributed to the conflict conditioned by interdependence of tasks of particular performers and subdivisions.

The widespread causes of conflicts are distinctions in notions and values when a person considers the situation from his/her point of view, as well as differences in the manner of behaviour, age, education, experience of life, etc.

Often the cause of a conflict is unsatisfactory communications, which result in distortion of information; unclear formulation of the position requirements; mutually exclusive requirements to the employees; hasty orders, etc.

The origin of intrapersonal conflicts is conditioned by self-contradictions of a person; by the lack of coincidence of external requirements and internal positions; by ambiguousness of perception of the situation, aims and means of their achievement, needs and possibilities of their satisfaction; by fancies and duties; different interests, etc. Often an intrapersonal conflict arises as a result of fancies lack of production coordination requirements and personal interests. Other causes of this type of conflicts are stress, dissatisfaction by work, uncertainty in own forces, etc.

Interpersonal conflicts in most cases are generated by the conflict of material interests of individuals, although it is manifested externally as difference in characters, personal opinions or moral values. A person acts in accordance with his outlook and characteristic features, and different people behave in a different way in identical situations.

Conflicts between a person and the group are mainly conditioned by the difference of individual and group norms of behaviour, and intergroup conflicts are generated by distinctions in opinions and interests.

A conflict is direct collision of sides. In a wide sense, it is the process consisting of some stages (development of the conflict situation, incident, crisis and break of relations, completion of the conflict). At first there are

conditions for its development, which afterwards develop into a conflict situation and under the certain terms to a conflict. An object and a subject are on the basis of the conflict.

*Participants* of the conflict are opposing to each other sides or opponents. Other participants of the conflict situation are instigators accessories, organizers, participating in it.

A conflict situation can be developed in different way: it can disappear be saved in the unchanged state; be transformed into another situation; be intensified under the influence of the incident, i.e. events or circumstances serving the cause for the collision of opponents. A crisis and breaking of relationships between opponents are the next phase of developing of a conflict. The complete ending of the conflict can be in the form of conflict resolution, truce, or deadlock.

There are some effective methods of management of a conflict situation. They can be divided into two categories: structural and interpersonal.

The structural methods of management of a conflict situation are:

- elucidation of requirements to work, i.e. what results are required from each employee or subdivision taking into account their desirable level, procedure of employment and use of the necessary information, the system of powers and responsibility, policy, procedures and rules;

- a number of commands is most widespread, i.e. establishment of hierarchy of powers. The presence of the general chief results in organization of co-operation of people, decision making, information streams within the organization, and it allows to avoid a conflict;

- general organizational complex aims, implementation of which requires common efforts of two or more employees, groups or departments. The activity of all participants for achievement of the common purpose decreases the possibility of origin of the conflict;

- the structure of the rewards system facilitates prevention of conflict situations by correction of people behaviour, evidently encouraging those, who contribute to achievement of the common organizational purposes, help other groups and people, assist to the solution of problems.

There are five basic *interpersonal styles of resolving a conflict*: evasion, accommodation, compromise, compulsion, and collaboration.

For example, a common reaction to conflict is **evasion**. This style means that the person either tries to leave from the conflict or to avoid the conflict situations. In this case, people do nothing to satisfy themselves or others. They ignore the problem by doing nothing at all or address it by

merely smoothing over or de-emphasizing the disagreement. This, of course, fails to solve the problem.

**Accommodation** means cooperating on behalf of the other party, but not being assertive about one's own interests. This style is characterized by behaviour, when the person imagines that is not necessary to be angry and to condemn the colleagues. He tries not to let out outside attributes of the conflict and bitterness.

**Compromise** involves moderate attention to both parties' concerns, being neither highly cooperative nor highly assertive. This style is characterized by acceptance of the point of view of both parties, but only to a certain extent. This style, therefore, results in satisfying, but not maximizing solutions.

**Compulsion** is a highly competitive response, in which people focus strictly on their own wishes and are unwilling to recognize the other person's concerns. The person tries to force to accept his point of view at any cost.

**Collaboration (solution of a problem)** emphasizes both cooperation and assertiveness. The goal is to maximize satisfaction for both parties. The people recognize the distinction in opinions and try to get acquainted with other points of view to understand the causes of the conflict and to find the actions acceptable to both parties.

Important problem for an organization, often resulting in confrontation, is the necessity of modernization. Transformation of the organization for its competitiveness is a very serious task, which touches all its internal variables.

**Changes inside the organization** usually take place as a reaction to the changes in the external environment. Therefore, to survive organizations functioning in a quickly changing situation must periodically analyze and change the purposes. Modification of purposes is needed even for the most successful organizations even because current objectives have been already achieved.

The considerable changes in aims and strategy of the organization result in the necessity of structural changes. The structural changes suppose transformations in the system of assignment of powers and responsibility, administrative hierarchy, division of the organization into departments and subdivisions. That is the changes of the organizational structure are dictated by the necessity of the optimum division of labour, which allows organizations to execute their mission effectively.

The changes of technology and tasks of the organization are closely connected with transformations in the organizational structure. They are conditioned by introduction of new equipment and methods, modification of the process and the character of work.

As the organization is created by people, for successfully changes in organizational aims, structure, technology and tasks it is necessary to coordinate them with the changes in the staff. It means technical training of the personnel, management development, preparation to interpersonal and group communication, motivation, etc.

Changes at any level, in the scale of the society or an organization, always cause the ambiguous reactions up to resistance to these innovations. The powerful mechanism of forming of the conscious need in the changes is directly within the process of management. The model of the successful management process by the organizational changes consists of six stages (Fig. 6.4).

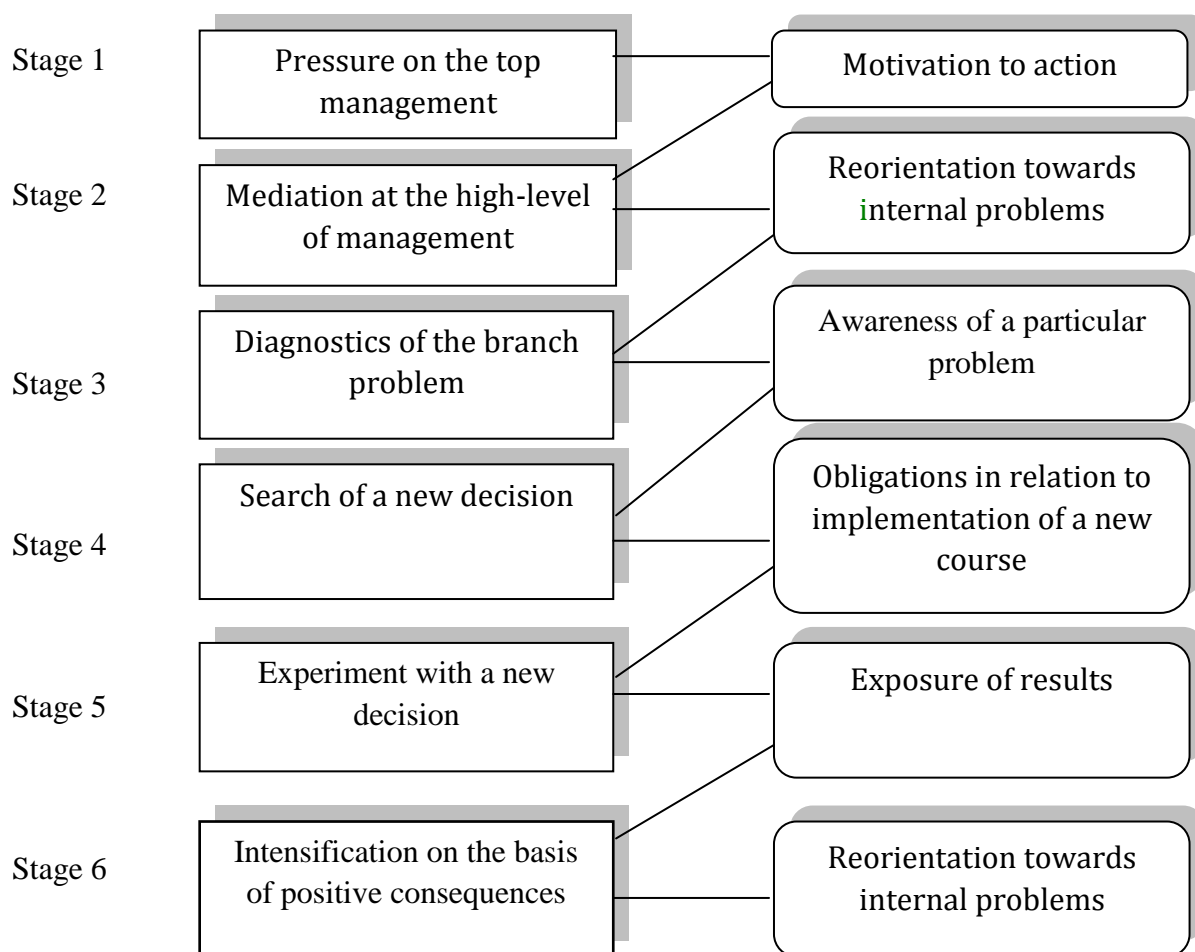


Figure 6.4 – The model of the successful organizational changes

The first stage consists of awareness of necessity of changes by the organization's top management. This, as a rule, takes place under pressure of the external factors: competition, changes in economy and state legislation, as well as internal circumstances – decrease of labour productivity, the staff turnover, dysfunctional conflicts among the staff, etc.

At the second stage there is the necessity of the accurate analysis of problems for more effective conducting of changes. For objectiveness of this process it is expediently to draw in intermediary services of external independent consultants. The result of their activity can be the change of orientation of the top management, perception new ideas by them.

The third stage is collection of reliable information for determination of true causes of problems requiring the changes. This process embraces all levels of the organizational hierarchy.

The fourth stage is characterized by the search of methods for conducting of changes, as well as forming of the deep understanding and support of the situation that takes place for majority of members.

At the fifth stage testing of the planned changes and revealing of the concealed difficulties are carried out. By such experiment and finding out the negative consequences the leader gets the possibility to correct plans to achieve high efficiency.

The last stage includes the motivation of workers to adopt the changes. To control the process of changes the leader should understand individual psychological attitude of workers to them, help people to feel more positive but not negative emotions, make them to mobilize their forces for own renewal. The possible methods to involve the personnel in transformations are praise, confession, promotion, increase of wages, permission to take part in the discussion of organizational problems, etc.

**Organizational development** is a long work dealing with improvement of processes of solving of problems and modernization of the organization taking into account organizational (corporate) culture. Culture is related to the social system of the organization, it is prevailing norms of conduct, feeling, relationships and values of the personnel.

Clear, honest mutual relations in the organization hinder spreading of rumours, improve the moral climate and enable the workers to realize and estimate the necessity of transformations.

In the period of recognition of the organization the corporate culture should support the mission of the organization, its strategy, promote innovations.

Besides managing culture, the program of the organizational development should contain collection of the information about the state of the organization and its subdivisions, development of planned actions on the basis of this information, measures concerning training skills improvement of the personnel, improvement of the organizational structure and procedures of implementation of tasks, measures as for development of groups, increase of their efficiency, etc.

Dynamism of transformations, which is inherent to most organizations and society as a whole, results in the origin of new social and medical problems related to the growth of the pace of life and tension of mental work, the necessity to digest the large volumes of information, solve quickly difficult administrative and other problems. One of displays of these problems is stress.

Stress, foremost, is considered as a useful reaction for the organism appeared during evolution, and it assists its optimal adaptation to the changes of life conditions. However, excessive stress is very harmful to personality and in a certain extent – to the organization, reducing efficiency and prosperity of workers.

The factors of the organizational and personality character are among the causes of stress. According to the results of research conducted in the European countries, the causes of stress in 61% cases are problems at work, 22% cases have the psychological character, and 7% are caused by serious diseases.

The widespread causes of stress in organizations are:

- overload or, vice versa, little workload of the worker resulting in the sense of hopelessness and material losses, anxieties in relation to the own value and position in the social frame of the organization;
- conflict of roles, which is revealed in contradictory requirements to the worker, or because of differences between the norms of the informal group and requirements of the formal organization, which result in the constant state of tension and anxiety;
- ambiguity of roles, if a worker is not sure in results expected from him, it leads to confusion, underevaluation of the work;
- uninteresting work, which results in irritation, internal discomfort caused by the struggle between “must” and “want”, impossibility to fulfill the capabilities doing other work, etc.

Personality factors are determined by the different vital events of both negative (death of a family member, severe illness, dismissal from



work, divorce) and positive (career promotion, pecuniary advantage, marriage) character. It has been found that positive vital events can cause the same or even greater stress, as well as negative ones.

The stress response is in a great deal related to adaptive possibilities of a person, his/her ability to bear external irritants.

As a rule, stress is characterized by excessive psychological or physiological tension. The physiological signs of stress are a migraine, high blood pressure, asthma, pain in the heart, arthritis, etc. From the data of WHO 45% of all diseases are related to stress, and some specialists consider that this number twice as much.

The psychological displays of stress include irritation, the loss of appetite, depression, etc.

The founder of the theory of stress the Canadian physiologist Hans Selye distinguished three stages of development of stress. First is the reaction of alarm, which is expressed in mobilization of all resources of the organism. The stage of resistance comes after it, when a person succeeds (due to preceding mobilization) in managing of harmful effect. If this action can not to be removed or overcome for a long time, the third stage comes – exhaustion, which is characterized by decline of adaptive possibilities of the organism, increase of the risk of dangerous diseases.

Decrease of the level of organizational factors of stress in a great deal depends on a leader of the organization. The leader should strive for such state, when productivity is at higher level, and stress is at the lowest level, as possible. In a fight against stresses leaders should take into account the attitude of subordinates toward subsequent changes; differentiate employees by the degree of their impressionability, stress resistance; use various administrative measures, such as delegation of powers, optimization of workload, creation of favourable conditions of labour and rest, development of creative possibilities of a worker, bonuses for effective work, etc.

Forming of a healthy psychological climate can begin at the stage of hiring of workers. So, the American firms widely use the specially worked out program of the psychological advising of the personnel. It allows not only to estimate professional and personal qualities when hiring new employees, to expose and use optimally their capabilities, but also find out the points of the psychological tension among the staff. As results have shown, the use of the program reduces the level of conflicts and stresses, promotes efficiency of work in the enterprises on the average by 15%.

## 6.7. LABOUR RELATIONS IN MARKET CONDITIONS

In the legal state knowledge of laws regulating the relations of a worker and the owner or the authorized body, as well as the ability to apply the knowledge in the labour process are of great importance for specialists who work in the enterprises of any industry of the national economy regardless of the form of ownership.

The task of LCoU of Ukraine is regulation of labour relations with the purpose of increase of the labour productivity, improvement of the work quality, increase of efficiency of public production and material and cultural standard of the worker's life, strengthening of labour discipline and gradual transformation of labour for the good of society in the main vital necessity of every able-body person.

According to LCoU every citizen of Ukraine has the right to work, i.e. to have the work with payment at least equal to the minimal size by the state.

Equality of labour rights for the citizens of Ukraine is as required regardless of their origin, social and property position, racial and national belonging, sex, language, political views, religious persuasions, the type and the character of employment, place of residence and other circumstances (article 2-1, LCoU).

LCoU regulates the relations of workers of all enterprises regardless of forms of ownership, the type of activity and branch belonging, however it isn't applied to persons engaged in the individual labour activity.

**6.7.1. Collective agreement.** The mutual obligations of the owner and labour collective are formed on the basis of the collective agreement.

A *collective agreement* is a local normative-legal act regulating productive labour and socio-economic relations between an owner (or authorized body) and workers in enterprises, in institutions, organizations regardless of their form of ownership and economic management using the wage labour and possessing the rights of the legal entity.

A collective agreement is concluded by the trade-union committee on behalf of the labour collective of the enterprise with the owner or the authorized body (article 12 LC of Ukraine). Collective negotiations (article 14 LC of Ukraine) are preceded to it.

The content of the collective agreement is determined by the parties within their competence.

The mutual obligations of the parties are set in the collective agreement, in particular:

- changes in organization of production and labour;
- providing of productive employment;
- setting of norms and payment for labour, forms, system, size of wage and other types of labour payments (additional charges, increment, bonuses) rates;
- setting of guarantees, compensations and benefits;
- participation of the labour collective in formation, distribution and use of the income of the enterprise, institution, organization (if it is as required by the statute);
- labour routine, duration of working hours and rest;
- conditions and labour protection;
- providing of housing, cultural, medical service, organization of recreation and rest of workers;
- guarantees of activity of trade-union or other representative organizations of workers;
- conditions of regulation of funds of labour payment and setting of interqualifying (interofficial) correlations in labour payment (article 13, LCoU).

During the term of action of the collective agreement additions and amendments can be brought in it according to the established procedure.

In obedience to article 15 of LC of Ukraine a collective agreement is subjected to notification registration by local organs of the executive power. In accordance with article 18 of LC of Ukraine the collective agreement of the enterprise, organization is spread to all workers of this enterprise, organization, regardless of their membership in the trade-union organization.

The collective agreement goes into effect from the day of its signing by the parties representatives or from a day indicated in it (article 17, LC of Ukraine).

After expiration of the term of action the collective agreement continues to operate while the parties conclude a new or revise the current one, if otherwise is not written in the agreement.

The collective agreement saves its action in the case of changing the composition, structure, the name of the body authorized by an owner. In the case of reorganization of the enterprise the collective agreement saves the action during the term of conclusion, or can be revised after the consent of the parties.

In the case of changing of the owner the action of the collective agreement is saved during the whole term of its action, but not more than one year. Thus, in this period the parties must begin negotiations about the conclusion of a new agreement or the change of the running collective agreement.

In the case of dissolution of the enterprise the collective agreement operates during the whole term of dissolution.

At the newly created enterprise the collective agreement is concluded at the initiative of one of the parties in three months term after registration of the enterprise (if this registration is required by the legislation) or after the decision about creation of the enterprise if the registration is not provided for by the legislation.

Control over fulfillment of commitment of the collective agreement is exercised directly by the parties or by the authorized representatives. The parties report to the labour collective about fulfillment of commitment annually in terms, required by the collective agreement.

The owner of the enterprise and the trade-union committee exercise control over fulfillment of commitment by the collective agreement. They report to the labour collective about implementation of provisions of the contract (article 19, 20 of LC of Ukraine).

**6.7.2. labour agreement. Features of conclusion and dissolution of a labour agreement.** The legal form of the individual agreement between employers and a worker is called a labour agreement.

A labour agreement is an agreement between a worker and the owner of the enterprise by which the worker agrees to perform his work according to the agreement, with submission to the internal labour routine, and the owner of the enterprise agrees to pay a salary to the worker and provide labour conditions required for his work implementation, providing by LC of Ukraine, the collective agreement and the agreement of the parties.

Thus, the worker has the right to exercise the right to work by the conclusion of the labour agreement simultaneously at one or several enterprises unless otherwise provided for by the legislation, the collective agreement or the agreement of the parties (article 21 of LC of Ukraine).

In obedience to LC of Ukraine a labour agreement can be:

- permanent, which is concluded for indefinite term;
- terminable, which is concluded for the certain period of time set if mutually agreed by the parties;

- concluded for the time of implementation of a certain work (article 23 LCoU of Ukraine).

A labour agreement is concluded, as a rule, in written form. The strict adherence to written form is obligatory in the case of:

- the organized recruiting of workers;
- conclusion of the labour agreement dealing with the work in districts with the specific environmental, geographical and geological conditions and the terms of the increased risk for health;
- conclusion of a contract;
- conclusion of labour agreement with an under age child;
- conclusion of labour agreement with a natural person;
- in other cases, as required by the legislation of Ukraine.

A citizen starting work is under an obligation to show the employer his passport or other identification document; work book, and (in cases, as required by the legislation) also the document about education, about the state of health, etc (article 24 of LC of Ukraine).

The conclusion of the labour agreement is done by the order of the owner or the authorized body about employment of the worker. However, the agreement is considered to be concluded even when the order is not issued, but the worker is already admitted to work.

When concluding the labour agreement it is forbidden to demand from the employees starting work the information about their political and national affiliation, origin, registration and documents, which are not provided for by the applicable legislation (article 25 LC of Ukraine).

Market relations in the economy of Ukraine and economic independence of enterprises require the increase of efficiency of labour of all workers and especially highly skilled specialists. It results in the necessity of well defined regulation of payment of labour and labour relations as a whole. The new form of labour relations regulation – the contract system of recruiting and payment of workers – appeared over the last years.

A contract is the special form of the labour agreement. It is concluded between an employer (the owner or the authorized body) and a worker compulsorily in written form and for a definite term. The special feature of the contract is individual character of its terms. Terms of payment and other conditions may be different for specialists having on identical posts (according to their contracts). When concluding the labour contract there are great possibilities for the individual approach to people recruiting for work. The employees may also require special, more suitable conditions of work and la-

hour payment from their employers. In the contract the rights, duties and responsibilities (including the material one) of the parties, conditions of organization and labour payment, providing of social and housing conditions, validity and condition of termination of the contract, as well as other conditions provided for by the parties. The initiative of conclusion of a contract can come both from an employer (the owner or the authorized body) and from a worker or a recruiting person. The sphere of the contract application is determined by laws of Ukraine, among them – “About scientific and scientific and engineering activity”, “Fundamentals of legislation of Ukraine concerning healthcare”, “About education”, “Economic code of Ukraine”.

When concluding the labour contract the probation period can be mutually agreed by the parties with the purpose of checking if the worker is equal to this work. It is compulsorily specified in the corresponding order about employment. In the period of probation the labour legislation is applied to the worker.

The probation period is not set when recruiting for persons, under 18 years old; young specialists after graduation from postsecondary institutions; young specialists after graduation from higher schools; persons transferred to the reserve from military or alternative service; invalids sent to work in accordance with recommendations of medical-social examination; when transferring the worker to other enterprise or to other locality, as well as in other cases, as required by the legislation (article 26 LC of Ukraine with changes).

The probation period when hired for work (unless otherwise provided for by the legislation of Ukraine) cannot exceed 3 months, and in some cases agreed by the trade union organization – 6 months. The probation period for workers cannot exceed one month. But if a worker in the period of probation is absent at work in connection with temporal disability or for other good reasons, the probation period can be prolonged for the corresponding number of days (article 27 of LCoU).

In the cases when the probation period is over, and the worker continues to work, he is considered to stand the probation, and the subsequent dissolution of the labour contract is assumed only on a common basis.

If during the probation it is found that a worker is not equal to his work, the owner during this term has the right to break the contract (article 28 of LC of Ukraine).

LC of Ukraine sets that the owner or the authorized body has no right to expect the worker to do the work, which is not conditioned by the labour con-

tract (article 31). Therefore, transferring to other work of the same enterprise or transferring to work to another enterprise or in other locality, even together with the enterprise is permitted only with the consent of the worker (article 32), except for the cases of temporal transferring for production necessity and transferring in the case of downtime (article 33,34).

In a number of cases the owner or the authorized body has the right to transfer a worker within one month to the work, which is not stipulated by the labour contract, at the same enterprise (or at other one, but in the same locality) with to payment of labour for the work performed, but not below the average wage at his previous work. The cases giving the right for such transfer are prevention or dissolution of consequences of natural calamity, epidemics, industrial accidents, as well as circumstances, which endanger or can endanger life or normal conditions of life of people.

As temporal transferring for production necessity the substitution of an absent worker is considered, but in this case duration of transferring cannot exceed one month during a calendar year.

Temporal transferring in the case of downtime is executed by a consent of a worker taking into account his/her specialty, qualifications for the time of downtime at the same enterprise or in other enterprise of the same locality. Upon termination of the term of temporal transferring administration is under the obligation to transfer the worker to his previous work.

Moving of a worker at the same enterprise, institution, organization into another working place, in other structural subdivision of the same locality, the order to work with other mechanisms or equipment within the frame of specialty, qualification or position, conditioned by establishment labour contract are not considered as transferring to other work. The owner or the authorized body has no right to move a worker to work, contraindicated to him/her by his/her state of health.

In accordance with article 36 of LC of Ukraine grounds for termination of the labour contract are:

- a) agreement of the parties;
- b) expiration of the term of the agreement, except for the cases when labour relations actually proceed and none of the parties demanded their termination;
- c) call or entry of the worker to military service (or alternative (not military) service);
- d) termination of the labour contract at the initiative of the worker, at the initiative of the owner or the authorized body or on demand of trade-union or other body authorized by the labour collective;

e) transferring of the worker by his/her consent to another enterprise, institution, organization or transfer to the elective position;

f) refusal of the worker from transferring to work in other locality together with the enterprise, institution, organization, as well as refusal from continuation of work in connection with the changes of substantial conditions of work;

g) the court sentence coming into effect, according to which a worker is convicted to imprisonment, corrective works, which are not at the place of his work, or to another punishment eliminating the possibility to continue the work;

h) reasons provided for by the contract.

A worker can take the lead in termination of the labour contract if the owner violates the legislation about labour, conditions of the collective or labour agreement as well as for his own reasons, or the state of health, etc.

A worker has the right to terminate the labour agreement concluded to indefinite term informing the owner about this in written form in two weeks term.

In a number of cases (moving in the other locality, entering the higher school, the state of health, retiring and other good reasons) the owner or the authorized body must terminate the labour agreement in the period, which the worker ask for.

Temporal and seasonal workers have the right to terminate the labour agreement, informing the owner in written form in three days term.

When dissolving the labour contract for good reasons a record about it is brought in a work-book indicating the exact reason of dismissal.

Termination of the labour contract is done by the order of the owner or the authorized body.

Grounds for dismissal at the initiative of the owner or the authorized body of the enterprise, institution, organization are divided into general grounds related to all employees and additional ones connected with only particular categories of workers when some offences are committed by them.

A labour contract concluded for indefinite term, as well as terminable labour contract can be annulled at the initiative of the owner or the authorized body before expiration of the term of its action in the following cases (article 40 of LC of Ukraine):

1. When changing organization of production and labour, including dissolution, reorganization, bankruptcy or conversion of the enterprise, institution, organization, reduction of the personnel.



At the equal labour productivity and qualification the preference in remaining at work have (article 42 of LC of Ukraine):

- employees having the family with two or more dependants;
- persons, who the only workers with individual earnings;
- workers having long continuous experience at the given enterprise;
- workers getting in-service education in higher school and specialized secondary schools;
- participants of battle actions and war invalids;
- authors of inventions, useful models, industrial prototypes and rational proposals;
- workers getting a labour injury or professional disease at this enterprise;
- persons among deported people from Ukraine during five years since their return to the permanent place of residence in Ukraine;
- workers from a number of the former military men during two years from the day of their retirement.

2. If the worker is not equal to his position because of insufficient qualification, or the state of health interfering continuation of the work.

Unfitness for the position means that a worker cannot properly execute his duties.

If such unfitness is revealed in the probation period, administration has the right to dismiss the employee as the person who failed the probation (article 28 of LCoU), and if it happens after the probation period, dismissal is according to the article.

3. If the worker systematically does not perform his duties (without good reasons) assigned by the labour contract or internal labour routine.

This type of dismissal is possible if disciplinary or public sanctions were applied to the worker before, and violations were systematic. It is prohibited to dismiss (paragraph 3, article 40 of LC of Ukraine) without particular disciplinary misconduct, as well as in the case when a disciplinary sanction was already imposed for this reprimand. Sanctions are valid when dismissing within a year.

4. For absenteeism (including the absence at work for more than three hours during the working day) without good reasons.

By the legal consequences truancy is:

- the unjustified absence at work (without good reasons) to which a worker was transferred in accordance with the current legislation;

- leaving the work by the worker without warning the administration about his wish to terminate the labour agreement or before the expiration of the warning term of dismissal (two weeks);

- leaving the work by the worker without good reasons by the term of labour agreement;

- leaving by a young specialist himself the work to which he was sent for graduation from the higher school, specialized or vocational school before completion of the term.

The refusal of the worker to begin implementation of other work, to which he/she was illegally transferred by the owner, can not be considered as a truancy. The absence at work at the weekend, which is declared to be the working day illegally according to the current legislation, is not considered to be a truancy.

5. Because of extended illness. A worker can be dismissed in the case of his absence at work for more than 4 months because of the temporal disability (without taking into account the maternity leave).

6. Because of the reemployment the worker who performed this work before, in accordance with established procedure.

7. When coming to work drunk and disorderly in the state of narcotic or toxic intoxication.

8. Committing a theft at the place of work (including a petty one) of the owner's property set by a court sentence, which has come into effect.

Additional grounds for termination of the labour contract with the some categories of workers at the initiative of owner (article 41 of LCoU) are:

1. Single gross violation of labour duties by the head of the enterprise, institution, organization of all forms of ownership (branch, representative office, department or other subdivision), by his deputies, chief accountant and his deputies, as well as by the public persons of Customs authorities, state tax inspections with the personal ranks, and by the public servants of the state controlling and auditing service and state financial bodies.

2. Commitment of incriminatory actions by a worker, who directly provides services with money or commodity values if these actions give ground for the loss of trust to him from the side of the owner.

3. Commitment by a worker when executing educational functions, immorality which is incompatible with continuation his work.

Termination the labour contract at the initiative of the owner is not permitted in the period of the temporal disability of the worker (except for dismissal according to paragraph 3 of articles 40 of LC of Ukraine) and in the period of his vacation (except for the cases of the complete dissolution of the enterprise).

The decision of the owner about dismissal of an employee according to paragraphs 2-5, 7 of article 40 and paragraphs 2 and 3 of article 41 of LCoU must be agreed with the elected body (trade-union organization) (article 43).

The consent of the elected body (a trade-union representative) is not required in the case of dismissal at the initiative of the owner in cases:

- dissolutions of the enterprise, institution, organization;
- unsatisfactory result of probation period, conditioned when recruiting to work;
- dismissal from the part-time work because of hiring the permanent worker, as well as in connection with limitations for part-time work as required by the legislation;
- reinstatement at work of the worker performing this work before;
- dismissing an employee, who is not the member of the trade-union organization at the enterprise, in the institution, organization;
- dismissing from the enterprise, institutions, organization, where the primary trade-union organization is absent;
- dismissals of the head of the enterprise, institution, organization (branch, representative office, other subdivision), his deputies, chief accountant and his deputies, some other categories of workers (article 43-1 of LCoU);
- dismissing an employee committed a theft at the place of work of the property of the owner set by the court sentence.

When breaking the labour contract on the grounds, indicated in paragraph 6 of article 36 and in paragraphs 1, 2, 6 of article 40 of LC of Ukraine a dismissal wage is paid to a worker in the size of not less than the average monthly earnings, and according to paragraph 3 of article 36 – in the size of not less than two-month average earning.

The owner is under an obligation to make a full payment and hand out a work-book to the worker in the day of dismissal (article 47). Moreover, in the case of dismissing an employee at the initiative of the owner the last is under an obligation to hand out to the worker the copy of the order about his dismissal in the day of dismissal. In all other cases the copy of the order is given out when the worker is demanded.

The basic document about the labour activity of the worker is a work-book. All workers working in the enterprise, in institution, organization or an individual person more than five days have work-books.

A work-book for workers proceeding to work for the first time is made not later than five days after their entry. The information about the

work, encouragements and rewards for successes in-process at the enterprise, in the institution, organization are put to the work-book; information concerning penalties is not put.

The order of work-books recording is determined by the Cabinet of Ministers of Ukraine (article 48 of LCoU).

**6.7.3. labour hours and rest-time.** One of basic conditions of the labour agreement is establishment of the optimal mode of labour and rest for the workers.

In obedience to LC of Ukraine normal duration of labour hours cannot exceed 40 hours a week. However, enterprises and organizations when concluding the collective agreement can set the less norm of duration of labour hours (article 50).

In addition, for some categories of workers there is a short day, namely:

- for workers with the age from 16 to 18 years the labour hours are 36 hours a week, for persons from 15 to 16 years old (students in the age from 14 to 15, working in the period of vacations) – 24 hours a week, and students working in the period of school year (in spare time) they are not more than half of the maximal norm of labour hours as required for the persons of the corresponding age;

- for workers engaged in works with the harmful conditions of labour the labour hours are not more than 36 hours a week. Besides, the legislation is set a short day for the particular categories of workers (teachers, doctors, etc.).

For women having children under the age of 14 or a child-invalid a short labour day can be set due to the personal funds of enterprises (article 51 of LC).

Before weekends and public holidays duration of labour hours for workers, excluding for those who are working 36 and less hours a week, becomes 1 hour shorter with the five and a six day week (article 53 of LC).

At enterprises with a continuous production duration of night work becomes 1 hour shorter (article 54 of LC), except those workers for whom reduction of labour hours is already specified.

Night time is considered to be from 10 o'clock in the evening to 6 o'clock in the morning. It is forbidden to involve in the night work (article 55 of LC):

- pregnant women and women having children under the age of 3 (article 176);
- persons under 18 (article 192);

- other categories of workers as required by the legislation.

It should not be confused the half-time work with a short day. It is set by agreement between an owner and a worker, as a rule; by a pregnant women; women, having a child under the age 14 or a child-invalid, or takes care of a sick family member in accordance with a medical conclusion (article 56 of LC).

Overworking is not allowed by a labour legislation. However, the owner can apply extra work in the following exceptional cases:

- when performing works required for defense of the country, as well as prevention of public or natural disaster, industrial accidents and immediate removal of their consequences;

- when performing the necessary works dealing with water-supply, gas-supply, heating, illumination, sewage system, transport, communications – for the removal of casual or unexpected circumstances, which disturb their correct functioning;

- if it is necessary to finish the work, stopping of which will lead to damage or the loss of state or public property;

- if it is necessary to perform the loading works with the purpose of nonadmission or removal of downtime of operating mechanisms or congestion of cargo at the points of delivery and destination;

- for continuation of work when a shiftman does not come to work if the work cannot be interrupted; in these cases the owner must take measures concerning replacement of the shiftman by another worker (article 62 of LC).

At the same time it is forbidden to involve in doing extra work (article 63 of LC):

- pregnant women and women having children under the age of 3 (article 176);

- persons under the age of 18 (article 192);

- workers studying part-time in secondary schools and colleges in the days of classes (article 220).

Women having children in the age from 3 to 14 years old or a child-invalid can be involved in the extrawork only by their consent (article 177). To involve invalids in extraworks is possible only if there are no medical contraindications (article 172 of LC).

A *rest-time* includes a break for rest and meals, days off, weekends and public holidays, annual vacations, additional vacations and unpaid vacations.

A break for rest and meals lasts not more than two hours. At the enterprises where due to the terms of production it is impossible to have a break, for example, in pharmacies, the workers should have the possibility to eat during the working.

For a good rest of workers the legislation about labour provides for weekly weekends. With a five-day week workers get two days off a week, with a six-day week – there is one day off.

At continuously operating enterprises, in institutions, organizations days off are given according to a schedule approved by an owner and agreed with the elected body of the primary trade-union organization (by a trade-union representative) of the enterprise, institution, organization.

According to the article 74 of LC of Ukraine workers are annually given basic and additional job-protected leave with payment. Duration of vacations set by the legislation is at least 24 calendar days per the year worked calculated from the day of conclusion of the labour agreement (article 75 of LC). Persons under the age of 18 have the annual vacation which lasts 31 calendar days.

In accordance with an article 79 of LC of Ukraine the vacation for the first year of work is given to the workers after expiration of six months of the continuous work at the given enterprise, institution, organization. Before the end of the term indicated the vacation can be given in cases provided by the legislation (pregnant women and women having the maternity leave, persons under the age of 18). For the second year and subsequent years the vacation is given at any time of the corresponding work year.

At the request of the worker, it is permissible to have a splitting vacation under condition that its continuous basic part is not less than 14 calendar days.

Additional vacations are given to the workers of institutions of health care, including the workers of pharmacies and pharmaceutical enterprises, for work in harmful conditions, for the specific character of work and in other cases, as required by the legislation (article 76 of LC).

In accordance with the current legislation about labour worker and employees, including pharmaceutical workers can be given short-termed unpaid vacations, but not more than 15 calendar days a year (article 84 of LC) for family reasons or other good reasons at their request.

#### **6.7.4. Legal wage control. Guaranty and compensation payments.**

*Salary* in compliance with the labour legislation is a reward, which the enterprise, organization is under an obligation to pay to the workers in accordance with their personal labour contribution taking into account the final result of work of the enterprise and the maximal sizes is not limited (article 94 of LC).

Forms and systems of payment of labour are set by enterprises, institutions, organizations independently and are fixed in the collective agreement.

For payment of labour of pharmaceutical workers the system of payment by hour is used, mainly, with the use of state tariff rates, the sizes of which depend on profession, qualification, complexity and conditions of the works performed.

For professions (positions) overlapping or performance of duties of the temporally absent worker there is an additional payment, its sizes are set by the collective agreement (article 105 of LC).

The working conditions of many pharmaceutical enterprises includes the work at weekends and in public holidays, night-time, as well as extrawork. Payment in public holidays and weekends is carried out in the size of single hourly rate or daily wage rate over the salary if the work is done within the limits of the monthly norm of labour hours, and in the size of the double hourly rate or daily wage in addition to the salary if work is done over the monthly norm. At payment for labour by hours the extrawork is paid for in a double size.

The night work is paid as a non-exempt labour as specified by the collective agreement, but it is not below 20% of the tariff rate (salary) for every hour of the night work.

The terms of payment of the salary are set by the article 115 of LC of Ukraine, in obedience to which a salary is paid in terms set by the collective agreement, but not rarer than two times a month. In those cases when the pay day coincides with the day off weekend or a public holiday, the salary is paid the day before.

A salary to the workers for all time of annual vacation is paid not later, than three days prior to the beginning of vacation.

When dismissing an employee the payment of all sums that the enterprise, institution, organization should pay to him is performed in the day of dismissal (article 116 of LC). In the case of the payment delay due to

the fault of the owner, enterprise, institution, organization must pay the average earning to the worker for the whole term of delay till the day of payment de facto (article 117).

LC of Ukraine executing the legislative protection of workers, provides the definite guarantees and compensations.

*The guarantee payment* are the payments made instead of the salary in cases if a worker does not execute his labour duties due to certain reasons specified by the law. There are the following payments for employees:

- transferred to elective positions;
- when performing the state or public duties by them;
- sent for in-service training;
- sent to medical examination;
- donors, rationalizers and inventors (article 118, 119, 122, 123, 124, 126).

Compensation payments are intended to reimburse additional material costs to the worker in connection with performing the employment duties by him.

Compensation payments are as given:

- when moving to work in another locality;
- for business trips;
- for the tool-wear belonging to the workers (article 120, 121, 125).

The amount of charges from the salary is limited and cannot exceed 20%, and in some cases – 50% (article 128 of LC). The charge from the initial payment, compensation and other payments is not made (article 129 of LC).

**6.7.5. labour discipline. labour protection of workers of pharmaceutical enterprises.** labour discipline is the complex of norms setting the rules of behaviour in the process of labour, duties of the owner and workers, incentives for exemplary performance of labour duties and responsibility for their nonperformance or improper execution due to the fault of the worker.

Labour discipline at enterprises, institutions and organizations is determined by the rules of the internal order approved by the labour collectives and presented by the owner and by the elected body of the primary trade-union organization (by a trade-union representative) on the basis of model rules.

In pharmaceutical enterprises the internal labour order is directed to creation of healthy and safe conditions of labour of workers, providing of the high level of medical and medicinal aid to the population, the rational use of labour hours, supporting and strengthening of labour discipline, etc.



According to the labour legislation an official form of recognition and estimation of labour merits are incentives applied for fulfillment of labour duties in good faith, for successes in labour (article 143, 145 of LC). Any form of incentive can be, and the fact of incentive is reflected in the work-book of a worker in accordance with the rules of recording (article 144 of LC). At the same time for violation of the labour discipline disciplinary sanctions can be applied to the worker as a reprimand and dismissal (article 147 of LC).

A disciplinary penalty is used directly after the exposure of misconduct, but not later than one month from the day of its revealing, and it can not be applied later 6 months from the day of this misconduct (article 149 of LC). The penalty is announced in the order, and the worker is informed about it via his signature.

In the period of action of a disciplinary penalty (namely, the year from the day of its imposition) incentives to the worker are not used. However, the law assumes the pre-term remission of the disciplinary penalty if the worker does not violate of the labour discipline again and showed a good faith to labour (article 151 of LC)

The owner develops with participation of trade unions and introduces the complex of measures on labour protection under the law of Ukraine "About labour protection". The plan of measures on labour protection is included in the collective agreement.

The heads of pharmaceutical enterprises must execute activities as for prevention of:

- poisonings, allergizations, burns and other affections connected with the use of poisonous, inflammable and aggressive substances;
- dangers arising up during the work with the special devices, apparatuses, equipment;
- possibilities of infection of workers from sick persons.

Conducting of instruction – previous, primary and repeated – promotes decrease of such danger.

Money and materials on measures dealing with labour protection are provided for and used according to the established procedure (article 162 of LC).

For most pharmaceutical workers free delivery of dressing-gowns, caps is provided. For work with substances causing irritation of the skin, special protecting clothing, shoes and other individual means of protection must be given.

**6.7.6. Legal regulation of labour of particular categories of workers.** The special group of legal norms of the labour legislation is made by additional rules and norms of the use and labour protection of women and young people. They take into account the biological and age-related features of these categories of workers and provide for prohibition or limitation of using of their labour for particular types of work.

Article 174 of LC of Ukraine gives the list of works where it is forbidden to use labour of women. They are heavy and underground works, work with the harmful labour conditions, works on replacing and movement of weights exceeding the specified maximum norms. In addition, by the legislation it is forbidden to involve pregnant women, women having children under the age of 3 in night work, works at weekends and sending them in business trips (article 176 of LC).

Involving the women having children in the age from 3 to 14 years old or children-invalids to extraworks and sending them in business trips are possible only by their consent.

In obedience to LC of Ukraine women get maternity leave with duration of 70 calendar days before the childbirths and 56 (in the case of pathological situations or birth of two and more children – 70) calendar days after the childbirth, to which upon their application the annual vacation is given regardless of the experience of work at this enterprise.

LC of Ukraine provides for the guarantees when hiring for work and prohibition of dismissal at the initiative of the owner of pregnant women and women who have children under the age of three, single mothers with the child under the age of 14 or a child-invalid. A dismissal is allowed only in the cases of dissolution of enterprises and upon termination of the terminable agreement, but on condition of their employment. For the period of employment their average salary is saved, but not more than three months from the day of completion of the terminable labour contract (article 184 of LC).

Protecting the labour of young people LC determines the age, from which a hiring for work is allowed. The legislation is allowed to hire persons under 16 years old. By the consent of parents, as an exception, persons reaching the age of 15 can be hired (article 188 LC).

The legislation of Ukraine gives the list of works, which forbids the use of labour of persons under 18 years old (article 190, 192 of LC).

In labour legal relationships teenagers are equated in rights to adults, and in the sphere of labour protection, labour hours, vacations and some

other conditions of labour they use benefits specified by the legislation (article 187 of LC).

Annual vacations are given to teenagers in convenient for them time (article 195 LC).

The annual vacation for the first year of work to the workers studying in higher educational schools with the part-time and extra-mural forms of education can be given at their will before expiration of six months of continuous work at the given enterprise, in institution, organization (article 212 of LC). Additional vacations for part-time and extra-mural students of higher schools are provided for the following periods:

- overview lectures, performance of laboratory works, passing of credit tests and examinations;
- passing of the state examinations;
- preparation and defence of a graduate project (article 216 of LC).

Thus, the owner reimburse to the workers studying at the extra-mural departments of educational travel grant once a year in the size of 50% of the travel cost. The same size of the travel cost is paid for preparation and defence of a graduate project (works) or passing of the state examinations (article 219 of LC).

**6.7.7. Individual labour disputes. Supervision and control after the observance of the labour legislation.** Labour disputes in wide sense are the disagreements unsettled by direct negotiations between a worker and the owner of the enterprise concerning the use of norms of the labour legislation, as well as establishment of new or change of the current conditions of labour. The moment of arising of the individual labour dispute is appeal with the application in the appropriate organs, which consider labour disputes.

Labour disputes are considered by commissions on labour disputes; city district, or municipal courts (article 221 of LC).

A commission on labour disputes is elected at the general meeting (conferences) of the labour collective of the enterprise, institution, organization with the number of workers not less than 15 persons. The commission elects a chairman, his deputy and secretary among its members (article 223 of LC).

In obedience to LC of Ukraine workers can appeal with an application to the commission on labour disputes (article 225) or directly to the court (article 233) in three months term after they have found out the violation of the right, and in matters of dismissal they can appeal to a district (town)

court – in a monthly term from the day of handing in of a copy of the order about dismissal or from the day of getting of the work-book.

Disputes in the commission on labour disputes are considered during 10 days from the day of taking of the application, whereupon in a three-day term and the worker the copy of decision (article 227) is handed in to the owner.

**6.7.8. Obligatory state social insurance and pension provision.** According to the labour legislation of Ukraine all workers are subjected to obligatory state insurance.

Persons working by the labour agreement (contract) at enterprises, in institutions, organizations regardless of forms of ownership, the type of activity and management or individuals are subjected to obligatory state social insurance (article 253 of LCoU).

The basic sources of costs for obligatory state social insurance are payments of owners of enterprises, institutions, organizations or individuals, workers.

Social insurance provides for the following types of providing:

- temporal disability allowance;
- maternity allowance, as well as child care allowance for children under the age of 3. The maternity and birth grant is paid during the whole period of the maternity leave in the amount equal to the earnings;
- a single birth grant;
- allowance on burial;
- old-age pensions, disability pensions, survivor's pensions, as well as long-service pension provided for some categories of workers.

In addition, all workers are subjected to obligatory social insurance by the owner from accidents and occupational diseases, thus, insurance is carried out on the conditions fixed by the legislation and the collective agreement (contract).

**6.7.9. labour relations abroad.** Experience of the industrially developed countries shows that without the government control of labour relations, the frames of which are fixed by the legislation, the normal functioning of economy is impossible. The study of problems of labour force, professional training of labour resources are included in the functions of regulatory bodies. All this activity is conducted on the basis of analysis of the perspective demand for workers of different specialties.

In this connection in most countries of the West there is the institute of labour relations among other state organizations, in the structure of which a leading role is played by ministries of labour.

At the current stage of development and functioning of the foreign labour law the combination of two methods of legal regulation is typical: centralized (autocratic) and decentralized (autonomous).

The centralized method is presented by the state laws and by-laws working in the national scale.

The decentralized method is presented by local sources of the law, individual agreements between a worker and an employer, the collective agreement.

In the labour law of the countries with the advanced market economy it is possible to distinguish two models of implementation of labour norms: European and Anglo-Saxon.

*The representative of the European model* is France, in which labour legislation there is a significant number of legal norms providing material, administrative and, even, criminal liability for infringement of positions of the labour legislation.

The USA and UK are *representatives of the Anglo-Saxon model* of implementation of the labour law. So, in America the special administrative bodies function for supervision above observance of norms of the labour legislation. They are appointed by the president with the consent of the Senate. Such bodies as National labour Relations Board, National Mediation Administration, the Commission Equal Possibilities in Employment are widely known. Their functions are consideration of the worker's complaints and interpretation of the corresponding laws.

The special administrative organs are also created in Great Britain, specificity of which is in trilateral basis of creation. Consultative service in conciliation and arbitration with the Central arbitration commission, Commission on labour Resources and Commission on Equal Possibilities in Employment with Commission of Racial Equality take part in their work. These bodies are relatively independent from the state, in particular from the ministry of labour carrying out of the functions on implementation of some norms and rules of the labour legislation in many countries.

The Anglo-Saxon model provides also the use of court orders as tools of norms and instructions of the labour law, which can be directed both to the employer, and the individual worker or trade union as a whole.

Priority sources of the labour law in all countries with the developed market economy, as a rule, are laws and other acts of state organs, which an emergency minimum of labour law.

*A collective agreement* in many countries of the West, because of the shift of the emphasis in the legal regulation towards the local regulation, is an equal legislative source of the labour law. The normative part of the collective agreement contains statements concerning:

- salary (tariff rates, salary increments, additional payments);
- labour hours;
- the rest-time;
- pension providing;
- housing service;
- norms and organization of labour;
- labour routine;
- the structure and providing of employment;
- distribution of the manpower;
- labour protection and accident prevention;
- the disciplinary rules;
- the rights of a trade union at an enterprise;
- the in-service training and vocational training of the personnel;
- the conditions of recruiting and dismissal;
- consideration of labour disputes.

In such countries as France, Japan, Greece, Italy, Spain, Portugal, the right on collective agreements is directly enshrined in the constitution, while in Germany, Austria, Denmark, Luxemburg the right on collective agreements is interpreted as the right, which is a derivative from the right on association; in the USA, Netherlands, Belgium, Sweden, Canada and New Zealand this right is regulated in legislative acts.

In countries with the market economy a businessman is conferred the right to hire freely the labour force he needs. But this right is not absolute, it in many respects is limited by the legislation, which requires the observance of definite conditions. The main condition is prohibition of discrimination of persons who want to start work by the principle of their racial belonging, skin color, nationality, sex, religious persuasions, age.

However, the existence of the labour-market where demand for working places exceeds supply enables the employers to choose candidates with the best qualities.

The study of labour-market, organization of hiring on the competitive basis is the functions of the personnel departments of firms. The number and professional composition of the employees depend on volumes and types of works. In other words, the process of hiring starts with determination of needs of the firm in specialists and subsequent comparison of requirements that are necessary for every position with the data of candidates.

Matching of an applicant to the work offered employers use different methods. Experience of western firms allowed to distinguish five basic instruments of knowledge verification and personal qualities of candidates:

1. Analysis of the questionnaire data allows to reveal the level and quality of education, the presence of practical experience, etc.
2. Obtaining of the information about an applicant's in an educational institution or the previous work.
3. Tests in the widest sense: psychological, testing of knowledge verification, determination of inclinations, etc. As application of the method of tests requires complex and long-term preparation, candidates can get standard tests in any library.
4. Testing of skills in the evaluation centres. It is used only for the employees of with a high qualification.
5. Interview. It is the obligatory and final stage of testing.

There are data, that, for example, in the USA more than 150 million interviews concerning hiring are annually conducted, and less than 10 million people get a work.

In the process of estimation when hiring for work there is not only collection of the information about a candidate, but also giving to him a certain complex of information: the content of the supposed work, possibilities of job promotion and in-service training, questions of labour payment and services.

Subsequent labour relations between an employer and workers are subdivided into collective and individual. Collective relations are established by means of collective labour agreements, concluded between the trade union and a businessman. They contain the articles dealing with instructions, content and execution of the labour contract, as well as other articles determining mutual rights and duties of the parties.

In the labour law of majority of the countries the main and additional duties of workers are specified.

The main duties are: loyalty (the pact about noncompetitiveness); fidelity; diligence; cooperation.

Additional duties of the worker are: to inform the employer on the questions concerning labour activity; to show respect to the employer; really to give de facto the employer the labour; to work on the employer personally.

The main element of a duty "loyalty" is confidentiality undertaking by the worker, concerning a commercial secret and know-how. In the west a commercial secret is protected by not only by the labour law but the criminal law as well. As a rule, between the employer and worker when hired for work or at termination of the labour contract a pact about a noncompetition is concluded, and it is made only in written form. The pact about noncompetition binds a worker with certain obligations not only on the period of action of labour contract but also after its termination. These duties are much wider than confidentiality undertaking concerning the commercial secret, and include:

- interdiction for the certain period of time after dismissal (in the different countries from 1 till 5 years) to be employed at the similar enterprise;
- interdiction on creation of the similar enterprise;
- interdiction on business relations with clients of the former employer;
- interdiction on disclosure of any information concerning the previous work.

The employer's duties include:

- actual provision of employment;
- labour load of the worker;
- safety of work;
- care of safety of the worker's things during his work at the enterprise;
- compensation of the losses during the labour activity made by the worker to the third parties.

A lot of types of labour contracts in the countries of the West is conditioned by considerable differentiation taking into account a variety and specific of the labour of different categories of workers and the forms of employment.

The basic types of labour contracts are:

- open-end contract;



- terminal contract;
- half-time labour contract;
- labour contract with "loan" workers;
- group labour contract;
- labour contract with commercial agents;
- labour contract with professional sportsmen;
- labour contract with outworkers;
- labour contract with domestic workers;
- labour contract of sea hiring;
- labour contracts with the workers of religious institutions;
- labour contract with managers;
- labour contract concerning the part-time work position.

As a rule, the legislation of the majority of the countries establishes the free form of the labour contract (on approval of the parties). However, during the last decade the tendency of conclusion of a labour contract in written form has appeared. The law establishes the obligatory written form for the following kinds of labour contracts:

- terminal contract;
- the contract of sea hiring;
- the contract for outworkers;
- the contract for managers;
- the contract on part-time labour.

It should be noted that there is a special certificate (labour passport, work-book) in France, Italy and Portugal (for some categories of workers). In other countries of the West there are no work-books, as a rule, but there are certain documents, which a worker is under an obligation to give to the employer when starting work.

The content of the labour agreement necessarily includes the following conditions:

- the character of the given work;
- normal working hours (as a rule, 40 hours a week);
- basic salary, increments, allowances, bonuses or participation in obtaining the profit, etc.;
- duration of the probation period;
- any additional articles about which an agreement is reached between the parties.

Legislative statutes determine the minimal age of hiring for work – 15-16 years old, for risk and harmful jobs – 18-19 years old.

In many countries the legislation introduces additional norms for labour *protection of children and teenagers* such as:

- prohibition of heavy, harmful, dangerous and underground works;
- prohibition to involve them in work at night;
- prohibition of work with piece-work payment for labour.

Thus, for labour protection of children and teenagers, the legislation sets for them:

- the extended vacations;
- short working day;
- obligatory medical examinations (when hiring for work, and then regularly to their achievement of 18-21).

In the countries of the West there is a contractual order in relation to the period of probation. As a rule, duration of the probation period is 1-6 months depending on the workers' categories.

The labour law establishes power of employers to impose on the worker, who has made a minor offence, the following disciplinary sanctions:

- the remark;
- reprimand;
- reduction on position;
- dismissal from work with the loss (sometimes with preservation) of wages;
- penalty;
- disciplinary dismissal, i.e. instant dismissal and dismissal without payment of the dismissal wages.

A failure to comply with the undertaken obligations by one or another party can lead to arising of labour disputes or conflicts of an individual or collective character.

In the west it is generally accepted to divide labour disputes by the subject composition and the subject of a dispute on four main types:

- collective;
- individual;
- economic (conflicts of interests);
- legal (conflicts of right).

The methods of solving labour disputes in the countries of the West are as follows: consideration of a dispute in administrative or judicial authorities; peace trial.

In the labour law of majority countries as the reason for termination of the labour contract are considered:

- worker's death and other circumstances having the character of legal events;
- the agreement of the parties;
- the initiative of one of the parties;
- dissolution of the enterprise;
- expiry of the term of the contract;
- completion of the certain work;
- the circumstances having the character of "force majeure";
- the decision of the court on dissolution of the labour contract.

The principle of freedom of work provides the absolute right of the worker to dismiss under his own initiative.

The term of warning of the employer about forthcoming dismissal is usually limited by one week. The application for dismissal is made orally or in written form, it is determined by the terms of the collective agreement or the arrangement of the parties.

In regard to individual dismissals at the initiative of the employer in most are the following rules:

- obligatory substitution of dismissal (for example, the presence of a good reason);
- warning for greater part of dismissals;
- prohibition of discriminatory dismissals;
- limitation of dismissals of pregnant women, women-mothers, invalids;
- the particular order of dismissals of trade-union workers and the members of representative organs of the personnel of the enterprise;
- payment of dismissal wages;
- requirement (in some countries) of coordination of some types of dismissals with a state administrative authority or a representative body of workers;
- material compensation to the worker in the case of recognition by the court or an arbitral body that his dismissal is without a valid reason, and in some countries in certain cases it is obligatory to restore the employee to his old post if the dismissal is illegal and to pay the compensation for the enforced truancy (regardless of its duration).

A worker when dismissing in the connection with the expiration of the term of the agreement has the right to:

- timely warning by the employer about unwillingness to prolong the labour contract;
- dismissal wages, the size of which depends on the size of the salary and duration of employment;
- commutation of annual leave.

The terminal labour contract can be annulled ahead of time at the initiative of the employer only in the case of a serious fault of a worker or force-majeure.

In the XX century two main models of legal regulation of such dismissals were formed. The first model assumes a dismissal both on good reasons and without them (on approval of the employer), but with warning about the dismissal.

The second model assumes discharging an employee only on good reasons, but in two variants:

1. The first (ordinary) one is with warning. The warning duration about dismissal is fixed in laws and collective agreements depending on the labour experience, age of dismissed person, periodicity of payment of salary. Usually such term is for workers – from one week to three months; for office workers – from two weeks to six months; for higher office workers – to 12 months and even more. An employer, who has not warn a worker about the dismissal, is under an obligation not only to pay a salary to him for the period of warning but also to compensate for the losses;

2. The second (emergency, irregular, disciplinary) one is without warning.

It should be noted that the first model prevailed before Second World War and it presently remains only in a few countries, the second model is practically in all countries of the world.

The group of reasons for a dismissal, caused by the behaviour of a worker includes:

- serious misconduct providing a basis for a dismissal without warning;
- less serious misconduct providing a basis for a dismissal with warning.

Circumstances for a dismissal related to the personality of a worker, but not caused by his fault, are such circumstances as:

1. Insufficient qualification of a worker.
2. The lack of necessary capacities.
3. The state of health (the maximal term of absence because of the illness, which the dismissal is not allowed is: in Norway – six months with the work experience not more than 10 years, one year – with the experi-

ence more than 10 years; in Netherlands – two years regardless of the labour experience).

4. On reaching the age limit (for all categories of workers – only in Switzerland and Luxemburg; for office workers – in Netherlands; in Germany and France – on the condition that these reasons are specified in the collective agreement. In Japan in the collective agreement or in the rules of the internal labour order the maximum age of a worker is determined – usually it is 55-60 years old; in Spain the government sets maximally possible age of workers depending on a situation at the labour market, however it cannot increase 69 years old; in Great Britain and Italy for persons reaching the age limit the action of laws regulating dismissal, does not spread; in the USA reaching the age limit is not considered as a "good reason" of dismissal, but the age of the forced retiring is established for the certain categories of workers).

The reason of dismissal determined by economic and production factors is reduction of the number of the personnel because of the technical and socio-economic (production) reasons.

The criteria of selection of persons subjected to dismissal because of reduction of the number of the personnel are: labour experience, qualification, family status.

It should be emphasized that none of these criteria is of primary advantage and in every case an employer on approval with the representative body of workers determines the order of priority of each of these criteria.

When dismissing workers concluded an open-end labour contract the dismissal wages are paid almost in all countries. The size of the wages depends on: salary, labour experience, age of a worker.

In a number of the countries the labour law legalizes and permits collective dismissals for the following reasons:

- technical progress;
- reorganization of manufacture and labour, changes in the structure of the enterprise;
- reduction of demand as a result of fluctuations of the economic conjuncture;
- strengthening of the foreign competition;
- measures undertaken by management to increase the production efficiency.

The businessman takes decisions concerning such dismissals individually. The estimation and criticism of his decision are not in the competence of courts or other state bodies, as well as arbitration.

Duration of the annual paid vacation for recreation in the countries of the West varies for different categories of workers from one to eight weeks, it is determined by the country, industry, belonging to the workers or office workers, duration of the labour experience, and in some cases it depends on the age and labour conditions.

Along with the annual paid vacation for recreation the legislation and collective agreements provides the following paid and unpaid vacations:

- vacations related to the events in family life (birth of a child, marriage, death of a family member, etc.);
- educational vacations;
- additional vacations for non-smokers, people who are not obese;
- vacation for creation of the own enterprise (in France for persons, with the experience of continuous work at the given enterprise not less than three years, its duration is 1-2 years).

“Sabbatical” is the original variety of vacation, which is regulated in collective agreements. Its duration can be to 11 months, this type of vacation is paid and given once in 7-10 years to the employees with the long term period of work at the enterprise. Such vacation, as a rule, is given to higher managers for complete rest and relaxation; academic teaching staff for carrying out of additional research; workers-veterans.

Thus, the experience of countries with the developed market economy testifies that institution of the civilized forms of labour relations assists the observance of interests of both workers, business and society.

## 6.8. PHARMACEUTICAL ETHICS AND DEONTOLOGY

Taking into account the features of the professional activity in the field of medicinal service a specialist with the pharmaceutical education should have certain social-psychological qualities of the personality, which correspond to needs of society and principles of pharmaceutical ethics and deontology.

**Ethics** (ethos – custom, character) is the study about morality, norms of behaviour, moral. General principles of moral and ethics are reflected in distinctive features of professional ethics, including pharmaceutical. Pharmaceutical ethics, as part of general ethics, is the science about moral values, acts and behaviour of pharmaceutical workers of all levels in the process of the professional activity. Historically, pharmacy has developed parallel with medicine, therefore, those moral concepts, which constitute the ethics basis of medicine in an equal degree refer to pharmacy.

Professional ethics of a pharmacist, the same as a doctor, complies with the aims of health care and the human life. Regardless of the social system the obligatory condi-

tion of medical and medicinal aid is always the integrity of certain moral principles in relationships of doctors and pharmaceutical workers with patients.

In spite of historical parallel of development, the pharmaceutical ethics has some differences from the medical one. Specificity is in the functions performed, limitation of direct contacts of some pharmaceutical workers with patients, versatility of work of different services of a pharmacy comparing to relative unilateralism of official duties of a doctor. The distinctive feature of pharmaceutical ethics is conditioned by the fact, that a pharmacist does not treat a patient, does not give prescriptions, but is eager to help him/her by the rapid and exact preparation of the necessary medicine, by psychotherapy, gives confidence in convalescence to the patient, in curing action of the drug in pharmacy and medicine as a whole. For this purpose a pharmacist should possess high professional and moral qualities, form correctly and regulate relations with the visitors of a pharmacy, using the methods of psychological impact on the patient.

Ethics of the pharmaceutical worker finds its practical expression in exact moral principles determining the relations of a pharmacist and a patient, a pharmacist and a doctor, pharmaceutical workers in the professional collective, in the rationally organized working place, high professional mastership, general culture, the culture of behaviour and labour. This moral complex is accepted to name by the term of "**deontology**" derived from the Greek words ("deon" – duty and "logos" – study).

The essence of term "deontology" was first used in the 30s of the past century by the English philosopher I. Bentam to define the theory of morality, duty as a specific form of displaying the social necessity.

Pharmaceutical deontology is the study about moral and ethics principles of the pharmacist's behaviour during implementation of the professional duties.

One of the main aspects of pharmaceutical deontology is relations with patients and visitors (clients) of a pharmacy. They, as a rule, are determined by the first impression made by a pharmacist on a patient.

Here, the appearance of a pharmacist, his/her tidiness, carriage, speech and intonation, mimic, ability to hear a patient and express the attitude to his/her problems; aesthetic design of a medicine; accessible elucidation of rules of drug administration are of great importance.

It has been found by psychologists that 60-65% of things remembered belongs to vision, 10-15% – to ear, 7-10% – to touch, etc Therefore, explaining how to use a medicine to the patient, it is necessary to hold medicine in hands and attract attention to it.

During communication with a patient a good memory, intuition and attention are important for a pharmacist, to anticipate the behaviour, feelings and thoughts of the patient.

At present a considerable attention is paid to standardization of pharmaceutical service, among the tasks of which are the high level of service, creation of a positive image of a pharmacy, attraction of new clients and forming of the permanent contingent of visitors. They serve to achievement of the main purpose of business enterprises, that is increase of profit.

The key constituents of the system of service-management are in the basis of high-quality provision of the population; they are standardization of service, training of the personnel, the system of the personnel motivation, the program of service quality control, the corporate culture.

The widespread rules of the customer's service in a pharmacy are:

- a client is the most important person in the pharmacy;
- a client is the main part of business, but not a hindrance to it;
- a client does a favour coming to a certain pharmacy, but not the pharmacist of the pharmacy does a favour serving him;
- a client possesses the same emotions and feelings, as well as the worker of a pharmacy;
- a client does not depend on a pharmacy, but the pharmacy depends on him;
- appearance of a client in a pharmacy is the primary objective of its work;
- does not argue with a client;
- the purpose of workers of a pharmacy is satisfaction of the customer's needs;
- a client deserves a maximally polite and attentive service.

The ability to express a positive emotional mood; openness for a customer; ability to present itself at place of client; the ability to try to be in a client place, the ability to create a motivation atmosphere promote the creation of benevolent relationships with a client.

The moral and legal aspects of mutual relations with a patient (a client) provide for keeping in secret of some unfavorable information concerning his disease; it beneficially affects the treatment and assists the most rapid recovery. In some countries (France, Belgium, Holland) there is punishment for disclosure of the medical secret.

An important place in the complex of deontology measures is occupied by the mutual relations of a pharmacist and a doctor, their basis is common task – protection of health of people. Relations between a pharmacist and a doctor should be of mutual respect of each other in the eyes of a patient.

A pharmacist should render a comprehensive help to the doctor in his medical and preventive activity, prevent comments in the presence of a patient in the address of a doctor or medicines prescribed by him, as well as should not undertake the functions of a doctor and offer the patient medicines at his own discretion. Finding out a mistake in the prescription, a pharmacist should not indicate it to the patient, and it is necessary to find a method to correct it without the patient. However, it would be wrong from positions of deontology to disregard doctors' mistakes because similar omissions can do harm to the patient. Therefore, it is necessary to notify both doctors and heads of medical and prevention institutions about all cases of the wrong written prescriptions.

Creation of objective, creative contacts of pharmacists and doctors is one of the major factors of successful treatment of patients.

A psychological portrait of a pharmacist is the reflection of the moral and psychological atmosphere of the staff where he/she works. In turn, efficiency of work of the staff is in a great deal determined by the level of interpersonal relations.



The mutual relations of pharmacists should be based on mutual goodwill, politeness, sincerity, objectivity, willingness to help to each other.

All actions of a pharmacist should be dictated by collective nature, that is valuable for the group. A group, as well as society as a whole, develops on the basis of resolution of conflicts.

Problems of quality of drug providing, attitude to colleagues, to their opinion, are quite often the reasons of contradictions between the individuals of the group, and sometimes of conflict situations. The existence of a group in general or the high-quality level of productive and social psychological processes in it depend on how constructively and deontologically contradictions are solved.

The psychological atmosphere of pharmaceutical enterprises is greatly determined by the personality of a leader, his/her style and methods of work, by ability to create conditions for effective and agreed implementation of official duties by workers, as well as for a good emotional mood of every person and the whole staff.

Thus, pharmaceutical ethics and deontology regulating activity of the pharmaceutical workers from the point of view of interests of a patient include different aspects of work and foremost such aspects as education of professional moral, practical application of the knowledge, fulfillment of rights and duties of the member of society and particular group, formation of the sense of collective nature in relationships with doctors, colleagues, etc.

### Questions for out-of-class work

1. *What is the order of the collective agreement?*
2. *What statements does a collective agreement include?*
3. *Give definition of the labour agreement and list its basic types.*
4. *Describe the order of conclusion of a labour agreement.*
5. *What are the features of conclusion of a contract?*
6. *What is the order of termination of a labour contract at the initiative of a worker?*
7. *List the reasons for termination of a labour contract at the initiative of the owner.*
8. *What are the rules of work books recording?*
9. *What is normal duration of working hours?*
10. *What categories of workers is a short day provided for?*
11. *What does the rest time include?*
12. *How is the salary of workers regulated in Ukraine?*
13. *What are guarantee and compensative payments?*
14. *What are the principles of labour discipline regulation in Ukraine?*
15. *What does a complex of measures on labour protection in pharmacies and pharmaceutical enterprises include ?*

16. *What limitations of labour for women and young people are provided in Ukraine?*
17. *Which is the order of solution of individual labour disputes in Ukraine?*
18. *What types of providing of workers are provided by obligatory state insurance?*
19. *What methods of regulation of labour relations are used in foreign countries?*
20. *What is the order of workers hiring in foreign countries?*
21. *Which are types and the content of labour contracts in foreign countries?*
22. *What disciplinary sanctions are provided in foreign countries?*
23. *What is the reason for termination of the labour contract in foreign countries?*
24. *What types of vacations are given to workers in foreign countries?*
25. *What are the basic principles of pharmaceutical ethics?*
26. *Explain the concept of pharmaceutical deontology.*
27. *Which are the basic constituents of high-quality service of the population in a pharmacy?*

### Tests

1. *What concept does the definition: "... is part of the country's population that by age and the state of health is capable of work" correspond to?*
2. *Which authority for pharmaceutical staff administration does not belong to the authority of branch competence?*
  - A. Department of labour Policy, Education and Science at the Ministry of Public Health
  - B. Ministry of labour and Social Policy
  - C. Personnel department at pharmaceutical enterprises
  - D. Personnel department of Public Health administration at the regional authorities
  - E. Personnel department of Public Health administration at the pharmacy administration
3. *What concept does the definition: "... is a general economic category, which reflects the public system of work, conditions of employment, mutual relationships between people in their participation in social activities" correspond to?*
4. *What concept does the definition: "... the permanent employees who have received the necessary professional training and (or) have the practical experience and provide the activities of a business entity" correspond to?*

5. *What concept does the definition: "... a complex of socio-legal, organizational, economic and psychological measures of the states to form, use and renewal of labour (human) potential. Under the personnel policy it is meant the system of theoretical outlook, ideas and principles that define the main directions of work with the staff, its forms and methods" correspond to?*

6. *Complete the list of rotation:*

- A. Horizontal
- B. Vertical
- C. ...

7. *What level of specialists does the description "... this is the educational qualification level of higher education of a person, who gain the special knowledge and skills that are sufficient for performing production functions for primary positions in the certain type of the economic activity" correspond to?*

8. *What level of specialists does the description "... this is the educational qualification level of higher education of a person, who gains the fundamental special knowledge and skills concerning the generalized object of labour that are sufficient for performing task and duties of a certain level of professional activity for primary positions in the certain type of the economic activity" correspond to?*

9. *What level of specialists does the description "...this is the educational qualifying level of higher education of a person, who on the basis of the educational qualifying level of bachelor has received the complete higher education special knowledge and skills, which are sufficient for performing production functions for primary positions in the definite field of the economic activity" correspond to?*

10. *What level of specialists does the description "... this is the educational qualifying level of higher education of a person has received the complete higher education on the basis of the educational qualifying level of a bachelor, special knowledge and skills, which are sufficient for performing of professional tasks and duties of the innovative character for primary positions in a definite field of the economic activity" correspond to?*

11. *Complete the list of the main types of formal groups:*

- A. Group leader
- B. Working group
- C. ...

12. Complete the list of postgraduate training steps:

- A. ...
- B. Specialization
- C. Topical improvement
- D. Pre-certification cycle
- E. Certification
- F. ...
- G. Courses of information

13. Complete the list of factors that determine the effectiveness of the group:

- A. Size
- B. ...
- C. ...
- D. Group norms
- E. Groupthink
- F. ...
- G. Status of the group members
- H. Role behaviour

14. Which state normative-legal acts regulates labour relations in enterprises, institutions, organizations?

- A. Civil Code of Ukraine
- B. Economic Code of Ukraine
- C. labour Code of Ukraine

15. What concept does the definition: "... is a local normative legal act regulating productive labour and socio-economic relations between an owner and workers in enterprises, institutions, organizations regardless of forms of ownership and managements, which use wage labour and have rights for a legal entity" correspond to?

16. Complete the list of conditions determined providing of the collective agreement:

- A. Normative
- B. Obligation
- C. ...

17. What term are labour contracts concluded for obedience to LC of Ukraine:

- A. 5 years
- B. For indefinite term
- C. A certain term set by the agreement of the parties
- D. To achievement of the retirement age
- E. For the period of implementation of a definite work

*18. Match the duration of periods of probation when hiring for work and the corresponding categories of workers:*

- A. Workers
- B. Office workers and specialists:
  - a) not more than three months
  - b) not more than one month
  - c) not more than six months agreed by the trade union

*19. Specify the term of transfer of a worker to another work at the same enterprise, which is not specified by the labour contract or to another enterprise, but at the same locality:*

- A. 1 month
- B. 2 months
- C. 3 months

*20. Specify the term of handing in the application for termination of the labour contract at the initiative of a worker:*

- A. 12 days
- B. 14 days
- C. 1 month
- D. 2 months

*21. Specify whether a conditional conviction or delay of execution of the court sentence are the reasons for termination of the labour contract:*

- A. Yes
- B. No

*22. Specify what is not the reason for termination of the labour contract:*

- A. Expiration of the termed agreement
- B. Pregnancy
- C. Call or entry of the worker to military or alternative service
- D. Transferring of the worker by his/her consent to another enterprise, institution, organization or the elective position
- E. Temporal disability throughout 3 months
- F. Coming into effect the sentence of the court

*23. Specify whether renewal to work of a worker who performed this work previously, in accordance with the established procedure for termination of the labour contract at the initiative of the owner:*

- A. Yes
- B. No

24. Specify what of the variants below gives to the worker in the case of the staff reduction a prerogative right to retain the work on condition that of the labour productivity is equal:

- A. Pre-retirement age
- B. Two and more dependents in the family of the worker
- C. Disability of the III group of the worker
- D. Degree level
- E. labour injury got at this enterprise
- F. Studying in higher and specialized secondary school while continuing to work

25. Specify what information is not added to the work book:

- A. Information about work
- B. Encouragements and rewards for successes in-process
- C. Penalties

26. Specify a normal duration of labour hours a week in obedience to LC:

- A. 44 hours
- B. 24 hours
- C. 36 hours
- D. 40 hours

27. Specify which categories have the short day according to the current legislation?

- A. Pensioners
- B. Teenagers
- C. Women having children under the age of three years old
- D. Workers engaged in works with the harmful labour conditions

28. Specify what is the norm of labour hours a week for a pharmacist (in hours):

- A. 45
- B. 41
- C. 36

29. Specify what time is considered to the night time according to the labour legislation:

- A. From 0.00 to 6.00
- B. From 22.00 to 6.00
- C. From 24.00 to 8.00

30. *Specify what categories of workers are forbidden to involve in the night:*

- A. Teenagers
- B. Women having children in the age from 3 to 14
- C. Women having children under the age of 3

31. *Specify after expiration of what period of continuous work at an enterprise, as a rule, the annual basic vacation is given for the first time:*

- A. In 11 months
- B. In 12 months
- C. In 10 months
- D. In 6 months

32. *Specify which categories of workers guarantee payments are provided for (according to LC of Ukraine)?:*

- A. Elected to elective positions
- B. Temporally disabled
- C. Sent for in-service training
- D. During the maternity leave
- E. Donors, rationalizers, inventors

33. *Specify the size of payment for the night work:*

- A. In the size specified by the collective agreement per every hour of the night work without limitation
- B. In the size specified by the collective agreement per every hour of the night work but not below than 20% of the salary
- C. In a double size per every hour of the night work

34. *Specify disciplinary sanctions for violation of the labour discipline provided for by LC of Ukraine:*

- A. Penalty
- B. Reprimand
- C. Severe reprimand
- D. Deprivation of bonuses
- E. Dismissal

35. *Specify what term is specified by LC of Ukraine for application of the disciplinary penalty from the day of revealing the misconduct:*

- A. Not later than one month
- B. Not later than 10 days
- C. Not later than six months

36. *Specify whether the refusal of the worker from temporal transferring to another work, which is not conditioned by the labour contract is considered to be a violation of the labour discipline:*

- A. It is considered without additional terms
- B. It is not considered
- C. It is considered according to additional terms

37. *Specify duration of maternity leave before the childbirth:*

- A. 56 days
- B. 70 days
- C. 90 days

38. *Specify duration of the maternity leave after childbirth without complications:*

- A. 56 days
- B. 70 days
- C. 90 days

39. *Specify in what case the dismissal of pregnant women is permitted at the initiative of the owner?:*

- A. In the case of the staff reduction
- B. In the case of complete dissolution of the enterprise
- C. In the case of the extended illness

40. *Specify in what period of the year vacations are given to the workers under 18:*

- A. Only in summer
- B. In summer or in any other season at their will
- C. At any season, except for winter months

41. *Specify whether workers under 18 years have the right to get annual vacation for the first year of work at the enterprise before six months of continuous work:*

- A. Yes
- B. No
- C. They have this right taking into account additional conditions

42. *Specify what bodies mentioned below consider labour dispute?*

- A. Commission on labour disputes
- B. Trade-union committee
- C. Owner
- D. Local (district, town) court



*43. Specify the terms of consideration of labour disputes by the commission on labour disputes:*

- A. One month from the day of handing in an application
- B. In a five-day term from the day of handing in an application
- C. Not later than 10 days from the day of handing in an application

*44. Specify types of providing are provided for by social insurance in obedience to LC of Ukraine:*

- A. Allowance on temporal disability
- B. Unemployment allowance
- C. Maternity allowance, as well as child care allowance for children aged under 3
- D. Allowance for recreation
- E. Single birth grant
- F. Allowance for burial
- G. Pensions due to old-age, disability, survivor pension, as well as long service pension

*45. Specify what documents are needed during employment in foreign countries:*

- A. Application
- B. CV
- C. Letter-appeal
- D. Identification documents
- E. Autobiography
- F. Health certificate
- G. Diploma
- H. Recommendations

*46. Specify what duration of the probation period is set by the legislation in the countries of the West:*

- A. To 1 month
- B. 3 months
- C. From 1 to 6 months depending on the categories of workers

*47. Specify what form of conclusion of the labour agreement is as a rule set by a the legislation in the countries of the West:*

- A. Oral form
- B. Written form
- C. Free form

*48. Specify reasons for a dismissal related to the personality of a worker, but not caused by his/her fault:*

- A. Racial belonging
- B. Insufficient qualification
- C. The lack of the necessary capacities
- D. Religion, religious views
- E. The state of health
- F. Reaching the age limit
- G. Trade-union belonging

*49. Does the labour legislation of Western countries assume collective dismissals?*

- A. Yes
- B. No

*50. Specify what disciplinary sanctions are provided for by the labour law of the countries of the West:*

- A. Warning
- B. Reprimand
- C. Severe reprimand
- D. Reprimand that is placed in the employment file
- E. Reduction in position
- F. Dismissal from a work with the loss of salary
- G. Penalty
- H. Deprivation of bonuses
- I. Disciplinary dismissal

*51. Specify methods of resolution of labour disputes provided by the legislation of the countries of the West:*

- A. Consideration at the general meeting of the staff
- B. Decision of the president of the company
- C. Consideration of a dispute in judicial bodies
- D. Arbitration procedure

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## CHAPTER 7

# ESTIMATION OF EFFICIENCY OF THE ORGANIZATION'S ACTIVITY AND MANAGEMENT

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### 7.1. ESTIMATION OF THE ORGANIZATION'S ACTIVITY

For development of the market economy and society as a whole the efficiency of activity of every subject of management and the whole complex of enterprises, institutions and organizations has the special value. In the conditions of the economic developed civilized society the increase of efficiency of production acquires the characteristics of the economic law, which can be formulated as the law of increasing efficiency of production. The increase of efficiency of activity of production and trade enterprises promotes the increase of the satisfaction level of need in products and services, the increase of profitability of enterprises and the socio-economic development of the society as a whole.

The concept "efficiency" means effectiveness, productivity. **Efficiency** is estimated as the corresponding correlation of the result and goal or the result and expenses on its achievement. Thus, the economic efficiency is determined by means of dividing of the general result (production of goods or sales volume) by the expenses of resources. To increase the economic efficiency of the organization means to obtain reduction of expenses per unit of products. In other words, the organization should observe the principle of profitability and efficiency: effective combination of labour and material resources, the greatest economy of forces and the most productive use of labour.

During the analysis of results of the activity of the management subject the following activities are conducted:

- a) estimation of the activity with comparison of actual and planed (normative) indexes;
- b) estimation of relationship between expenses and results, expenses and resources, estimation of interrelation of the final results of the activity;
- c) comprehensive analysis of the costs of production or trade depending on the specificity of work of the enterprise (analysis by the articles; comparison of the level of costs with normative or average expenses in industry, in a region; comparison with the costs of several competitors).

The data is used for optimization of costs, increase of profit.

In the financial analysis coefficients are calculated and analyzed. They are combined in 7 groups:

- a) the property state of the enterprise;
- b) the production potential;
- c) the financial stability;
- d) solvency;
- e) the business activity;
- f) profitability;
- g) efficiency of using assets.

At the analysis of the property state of the enterprise there is the calculation of indexes:

- the own capital – the total sum of assets ratio (more than 50 %);
- the own capital – the fixed capital ratio (not less than 1). It means otherwise that part of the capital assets is created due to debt funds, but not due to internal sourcing.

The *parameter of production potential* is share of the fixed assets cost in the property of the enterprise (it reflects its equipment and industrial capabilities)

Pharmacies without their own building the share of the capital assets is up to 20% of the property, and if they have building, the specific gravity is up to 80%.

The parameters of the *financial stability* are:

- the coefficient of autonomy is the share of the own capital in the structure of the capital;
- the factor of the financial stability is the share of the own capital in a total cost of the property (more than 50 %).

The high share of the loan capital (from 65 to 96%) is inherent for the sphere of trade. Mainly due to the own circulating funds commodity supplies are financed.

*Solvency* is a possibility of the enterprise to pay the obligations fully and timely.

For the analysis of solvency three basic indexes are used; they differ by the set of available assets (Table 7.1):

- absolute liquidity;
- intermediate cover;
- current liquidity.

Table 7.1 – Indexes of solvency of the enterprise

The index of solvency	Calculation formula	The optimal index
Coefficient of absolute liquidity	$\frac{\text{Circulating assets in monetary terms}}{\text{Short-term obligations of the enterprise}}$	0.2 – 0.25
Coefficient of intermediate cover	$\frac{\text{Monetary resources} + \text{securities} + \text{debts receivable}}{\text{Short-term debt funds}}$	0.7 – 1.0
Coefficient of current liquidity	$\frac{\text{The amount of available cash} + \text{account receivable} + \text{the amount of material assets}}{\text{The total amount of borrowed fund}}$	2.0 – 3.0

The absolute liquidity ratio shows what part of short-term obligations of the enterprise can be immediately discharged due to monetary resources on a checking account and other bank accounts.

The intermediate coefficient of coverage demonstrates what part of short-term obligations of the enterprise can be immediately discharged due to funds on a checking account, other accounts in banks, funds in short-term securities (account receivable, bills of exchange), as well as receipts on settling with clients.

The index of general solvency testifies what part of the real assets is financed due to debt funds.

*Business activity* is related in dynamic development of the enterprise, achievement of the aims set. A quantitative estimation and analysis of the business activity can be conducted by the level of efficiency of using the resources of the enterprise. Efficiency of the resources of trade enterprises used is determined by their turnover. The major economic performance indicators are the income and commodity turnover; they are in direct dependence on the rate of turnover of circulating assets.

Among circulating assets for pharmacies the commodity stocks (CS) and indexes of their turnover are of the greatest importance (7.1-7.2):

$$K_{CS} = \frac{S}{CS_A}, \quad (7.1)$$

$$\text{The turnover period} = \frac{\text{Days in period}}{K_{KS}}, \quad (7.2)$$

$K_{CS}$  – coefficient of commodity stock turnover;  $S$  – sale;  $CS_A$  – average commodity stock.

In foreign literature concerning pharmaceutical management the following characteristics of the stock turnover coefficient are specified:

- 3 turns a year is a minimum;
- below 3 – it is necessary to take the situation under control;
- 12 is an optimal value;
- 8-12 – good turnover.

Indexes of estimation of profitability of the economic activity. Indexes of profitability are correlation of the income to one or another facilities (property) of the enterprise participating in obtaining of the income.

General profitability of the capital testifies to efficiency of use of all property of the enterprise. The optimal index is 10-15%.

$$\text{profitability of the Capital, \%} = \frac{\text{profit}}{\text{Assets}} \times 100 . \quad (7.3)$$

$$\text{profitability of the Equity Capital, \%} = \frac{\text{profit}}{\text{Own Funds}} \times 100 . \quad (7.4)$$

In foreign practice this index is recommended to be not below 25%.

Efficiency of using assets is determined by ratio of the income to the whole sales. Profitability of the activity characterizes the possibility of the enterprise to get not only the profit yield from sales, but also profits.

$$\text{Sale profitability, \%} = \frac{\text{Sale Volume} - \text{Cost}}{\text{Sale Volume}} \times 100 . \quad (7.5)$$

The optimal index in foreign practice is 25%.

Increase of the index the result of price increase at permanent production inputs of the commodities sold or decrease of expenses at permanent prices; the decrease testifies the price-cutting at permanent expenses, i.e. about the decrease in demand on a product.

A number of indexes related to the volume of sales of products are also used:

$\frac{\text{Sale Volume}}{\text{Cost of Material Assets}}$  – decrease of this index testifies deceleration of the stocks turnover;

$\frac{\text{Sale Volume}}{\text{Cost of Unsold Goods}}$  – decrease testifies the decrease in demand or overproduction;

$\frac{\text{Sale Volume}}{\text{Account receivable}}$  – if demand is large, account receivable must be absent.

Economic efficiency of management subjects of the pharmaceutical market under the influence of external the environment becomes the result of the comprehensive activity: study and satisfaction of consumers' needs, account of market tendencies, the level of innovations, management of the personnel and finances, observance of principles of business ethics and pharmaceutical deontology, etc.

Efficiency of work of an organization depends on the effective work of all its subsystems, and success of functioning of the administrative system as a whole.

There are the following approaches to study of the organizational efficiency:

1. *The target approach*: corresponds to management by purposes, assumes the control of purposes performance, and their productivity.
2. *The system approach*: allows to consider the influence of environment factors, the analysis of the organization as open system, its adaptation.
3. *The selective approach*: assumes studying separate components of the successful activity of the organization (quality of goods and services, profitability of manufacture, labour productivity, etc.).

The major element of success of the organization is quality of products. The appropriate saying here is "success generates success"; i.e. high quality directly reduces costs due to the increase of the part of products, which can be sold, decrease of cases of products returning by customers because of the defects. As a result, the company gets more money to increase its competitiveness. The best indicator of progressiveness of administrative methods at the enterprise is the index of *productivity*. Productivity should be considered as a process having a great number of external and internal influences.

The method of measuring of the labour productivity as the ratio of manufacturing products (or the sales volume) in the monetary term to the number of workers is widespread and used.

In foreign countries productivity is considered as the ratio of the volume of output of the finished products and production inputs these products, i.e. this index characterizes success of achievement of some result in relation to the resources expended to the decision of this task.

Productivity affects the relationships between organizations because the products of one organization can become a consumable resource of the other. Since organizations are interrelated, the low productivity when producing of some basic economic product causes decrease of productivity simultaneously in many industries.

## 7.2. EFFICIENCY OF MANAGEMENT OF THE ORGANIZATION

For a successful management by the organization in the conditions of the constantly changing external environment, it is necessary to involve various approaches and mechanisms. Among them there are the following ones:

- organization of strategic planning;
- constant monitoring of external and internal conditions, revealing of threats for the company (SWOT-analysis);
- development of measures to prevent the crisis situations;
- creation of reserves (financial, personnel, material);
- reduction of current expenses (including administrative expenses);
- diversification of activity;
- an active innovative policy;
- organizational (corporate) culture of management.

It should be noted that the basis of estimation of the management efficiency is not only specific positions and management criteria, but, first of all, the effective decision of problems of the organization. As a primary objective of the managing subject is *commercial success* (profit), then many theorists of management consider namely this index to be the criterion of successful management. From the point of view of other managers the main thing for the organization is its *existence, survival, and effectiveness*. An effective organization is the organization working for satisfaction of the needs of society. This criterion reflects the so-called external efficiency, which is the index of *achievement of the organization's aims*. *Economy and efficiency*, interpreting as productivity, are also important. Since *productivity* is the result of reasonable administrative decisions in the choice of products and services, optimization of technological decisions, choice of suppliers etc., an effective management, as a rule, is identified with management by the criterion of productivity.

Management of productivity is related to management of the quality of products and services (including the process of quality providing), planning, measuring of labour costs, development of calculation of costs (by the process of profitability estimation), as well as personnel management.

One of the major constituents of effective management is *innovative activity of an enterprise* aimed at innovations.



In foreign companies, which prone to innovations, a number of signs, characterizing their distinctive features is revealed:

1. Orientation to actions and achievement of success.
2. "Facing to a consumer". These companies study under clients, whom they serve, take the ideas of the best commodities from consumers.
3. Independence and enterprise: in the organization there are many leaders and innovators, "enthusiasts".
4. "Productivity from a person". Exemplary companies consider the ordinary personnel as the main source of achievements in the area of quality and productivity, as the source of ideas.
5. Connection with life, valued management. The basic philosophy of the organization (organizational or corporate culture) has much more value in its achievements than in technological or economic resources, organizational structure, observance of terms.
6. Loyalty to the business: companies, as a rule, adhere to that business, which they know.
7. Simplicity of the organizational form, a modest staff of management: higher level of management is small in numbers.
8. Simultaneously freedom and rigidity: companies are simultaneously centralized and decentralized. Independence is given to the structural subdivisions and teams of designers of commodities, but the strict centralized is directed to the management of the value system of the organization.

Organizational (corporate) culture is a complex of ideological, social psychological attitudes and measures aimed at creating the special (mainly innovative) climate in the group. There are two ways of influence of culture on the organizational life: the first – culture and behaviour mutually influence on each other; the second one – culture influences not so much on what people do, but on how they do it.

For organizations with a strong organizational culture the existence of fixed commandments, unwritten codes of conduct, performance of ritual measures, accumulation of historical traditions, selection of the best workers (heroes of the organization), as well as awareness of employees of the enterprise about it are characteristic.

In spite of distinctions of points of view in regard to efficiency of management, psychological and nonpsychological criteria are mainly distinguished.

*The psychological criteria of management efficiency* are: a) satisfaction of members of the staff by different aspects of work (relationships with colleagues and leaders, labour conditions, etc.); b) motivation of members of the staff; c) authority of the leader among the staff; d) self-appraisal of the staff.

*The nonpsychological criteria of management efficiency* are: a) profitability; b) productivity; c) quality of products, services; d) innovations.

*Approaches to determination of management efficiency* are:

1. *The target* approach is connected with management by purposes. The value of purposes are in that they: a) concentrate attention and efforts for certain directions; b) can serve as norms with which it is necessary to compare the results; c) can serve as a mechanism for substitution of resource expenses; d) can influence on the structure, motives and features of both workers and organizations.

2. *The behavioural* approach is based on the application of methods of management and leadership (involving workers in decision-making, corporate culture, the effect upon informal groups, management in stress situations).

3. *The composite* approach is connected with analysis of the periods and the causes for temporary reduction of the product consumption (economic recession or seasonal variations).

4. *The multiple* approach assumes complex planning of productivity (plans, purposes, budget). Perspective long-term plans should be comprehensively supported by short-term plans, aims of the subdivisions and even rules and norms accepted in organizations by the budget allocated.

In spite of complication and complexity of determination of management efficiency, there is a quantitative index of its estimation. It is determined as a ratio of the final result of work of the organization in monetary terms to the expenses on management:

$$E_M = \frac{R_A}{M_E}, \quad (7.6)$$

where  $E_M$  – is the management efficiency;

$R_A$  – is the end-point of activity of the organization (cost of commodities or services);

$M_E$  – expenses on management.

Therefore, increase of management efficiency depends on decreasing of expenses on it. In general, in the conditions of the constantly changing external environment for the effective organization management the adaptiveness, dynamism, flexibility, timely reaction on the requirements of the market are important.

### Questions for out-of-class work

1. *What is the essence of the concept of efficiency?*
2. *How is economic efficiency determined?*
3. *What economic indicators can the efficiency of an organization be estimated by?*
4. *What indexes is solvency of the enterprise analyzed by?*
5. *How is the business activity of the organization estimated?*
6. *What indexes of estimation of profitability of the enterprise's economic activity are used?*
7. *What indexes are the property state, production potential and financial stability of the enterprise analyzed by?*
8. *What are the approaches for studying the organizational efficiency?*
9. *How is the labour productivity determined?*
10. *What does success of the organization management depend on?*
11. *List the criteria of the successful management of the organization.*
12. *What is management of productivity?*
13. *Give description of the organizational (corporate) culture.*
14. *What are the psychological criteria of management efficiency?*
15. *What are the nonpsychological criteria of management efficiency?*
16. *List and describe approaches for determination of organizational efficiency.*

### Tests

1. *Complete the list of coefficients which are calculated and analyzed in financial analysis of the activity of the organization:*
  - A. Property state of the enterprise
  - B. Production potential
  - C. Financial stability
  - D. Solvency
  - E. ...
  - F. ....
  - G. Efficiency of using assets

2. Specify what size of the share of the own asset in the total worth of property testifies the financial stability of the enterprise:

- A. 10-20%
- B. 20-30%
- C. 30-40%
- D. More than 50%

3. What concept does the definition "... is the possibility of the enterprise to pay the obligations in good time and in full volume" correspond to?

4. Complete the list of indexes used for analysis of solvency of the enterprise:

- A. Absolute liquidity
- B. Intermediate cover
- C. ...

5. Match the indexes used for the estimation of solvency and their essence:

- A. Absolute liquidity ratio
  - B. Coefficient of intermediate coverage
  - C. Index of general solvency
- a) ... testifies, what part of the real assets is financed due to debt funds
- b) ... shows what part of short-term obligations of the enterprise can be immediately liquidated due to monetary resources on a checking account and other bank accounts.

c) ... demonstrates what part of short-term obligations of the enterprise can be immediately liquidated due to costs on a checking account, other accounts in banks, funds in short-term securities (account receivable, bills of exchange), as well as receipts on settling with clients.

6. Complete the list of approaches to the study of organizational efficiency:

- A. Target
- B. System
- C. ...

7. Complete the list of criteria of the successful management of the enterprise:

- A. Survival
- B. ...
- C. Effectiveness
- D. Economy
- E. ...

8. *What concept does the definition "... is the complex of ideological, social psychological attitudes and measures aimed at creating the special (mainly innovative) climate in a group" correspond to?*

9. *Match the criteria of management efficiency and their classification groups:*

- A. Psychological
- B. Nonpsychological
- a) profitability
- b) motivation of members of the team staff
- c) satisfaction of members of collective by the different aspects of work
- d) productivity
- e) quality of products
- f) authority of the leader among the staff
- g) self-appraisal of the staff
- h) innovations

10. *Complete the list of approaches to determination of management efficiency:*

- A. Target
- B. Behavioural
- C. Composition
- D. ...

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## **МЕНЕДЖМЕНТ І МАРКЕТИНГ В ФАРМАЦІЇ**

Підручник для іноземних студентів фармацевтичних вищих навчальних закладів

У двох частинах

Частина I

**Менеджмент в фармації**

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