

8.6 Forms of organizational development of vertically-integrated holdings: managerial aspect

One of the main reasons for initiating any changes in the organizational development (OR) of vertically integrated holdings (VIH) is to achieve, first of all, a synergistic effect from the economic activities of all members of the holding. Obtaining such an effect is due to the strategic management of holdings. In order to deepen the meaningful clarification of the concept of "vertically integrated holding", we will analyze the essence of integration as an economic phenomenon, and identify the types of integration formations.

Integration is understood as "the process of convergence and gradual unification of national systems: internationalization of productive forces, technical and economic relations, industrial relations and national economic mechanisms" [410, p.146]. The essence of integration processes is manifested, first of all, in obtaining economic benefits, which is the main catalyst of these processes by such methods as concerns, joint ventures, associations, trusts, strategic alliances, financial and industrial groups, etc.

In the context of interpreting the essence of the concept of "integration" as an object of integration, we will use the term economic subjects, under which we define institutional units: states, economic unions, enterprises and their associations. Associations of economic subjects take place at the macro- and micro-level (Fig. 1.).

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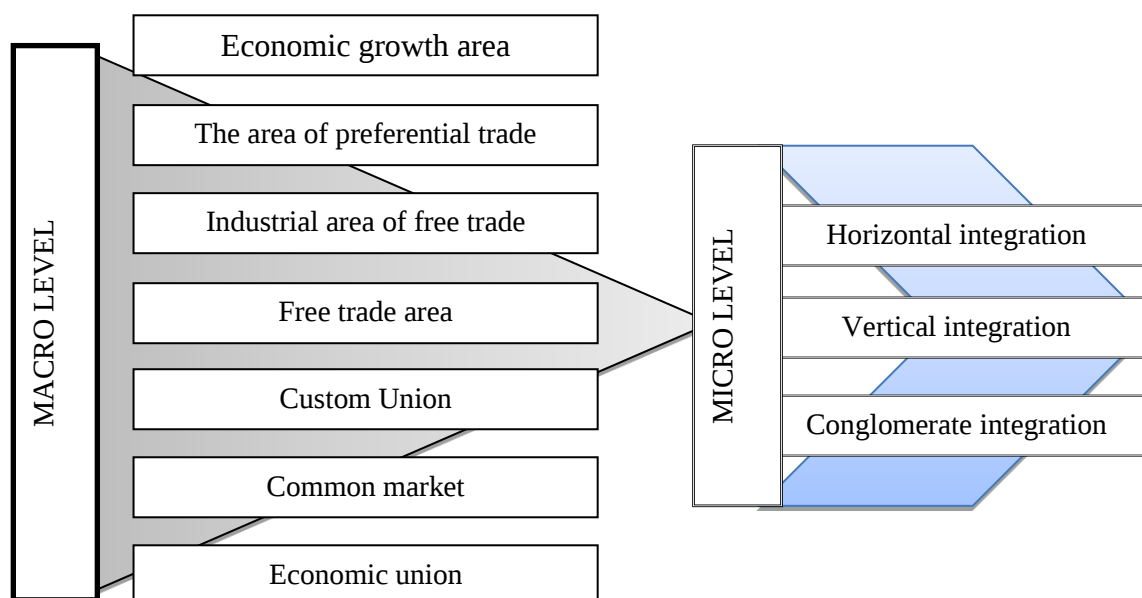


Fig. 1. Forms of integration

Source: compiled by the author based on [411, 412, 413]

Macro-level integration involves the creation of zones of economic growth, free trade, common markets, customs, economic and currency unions as a response to the processes of globalization. Such forms of integration are aimed at the unification of legal norms, economic policies, mechanisms of interaction of economic entities, as well as ensuring an appropriate level of financial security due to the absence of barriers to capital movement.

Integration processes at the micro level reflect the cooperation of enterprises of one or more branches as a response to market transformations. In our opinion, the intensification of integration at the micro level is the result of underdevelopment of macro integration processes.

"Business entities" is a term we will use in the context of business associations.

At the same time, business entities in order to obtain additional competitive advantages implement integration processes in the following forms: horizontal, vertical and conglomerate integration.

Conglomerate integration involves the legal unification of enterprises that carry out economic activities in unrelated industries. This type of integration is characteristic

of financial and industrial groups, as it provides financial resources for the implementation of integration processes, in turn diversifies risks, creates new centers of profit generation based on technologies.

Horizontal integration is aimed at uniting enterprises of the same industry with a similar or identical production and technological cycle, the strategic basis of which is an increase in market share and the accumulation of additional financial resources. As practice shows, this type of integration ensures an increase in the investment attractiveness of the association, obtaining a synergistic effect from reducing production costs, monopolizing a certain market segment due to the volume of products/services, and the ability to influence resource suppliers.

Taking into account the significant number of publications on the issue of "vertical integration", it can be stated that this form of integration is common and requires detailed study. Vertical integration is defined as the unification of enterprises based on a technological and supply chain with an orientation towards the formation of internal communications and reducing dependence on the external environment [414]. Somewhat clarifies the essence of vertical integration A.I. Ignatyuk, distinguishing in the determination of the formation of a control center over the activities of enterprises of one technological and production chain [415, p. 21]. The complexity of this form of integration actualizes the application of a systemic approach to understanding the essence of the concept. Scientists hold different views on the concept of "vertical integration": yes, L.L. Kutz singled out five classification features of the analysis of the phenomenon of the concept - merger of enterprises, combination as a process, strengthening of ties and control over the stages, we agree, however, we consider it necessary to argue for a systemic approach. The highlighted classification features, in the context of management science, refer to management functions (in part, because not all are isolated), if, under vertical integration, management of relatively independent business entities is understood, the contradictory aspects of the concept are leveled. The systemic approach defines vertical integration as a set of interrelated elements that have a defined purpose, tasks and mechanisms for their implementation, and are characterized by system properties: hierarchy, integrity, equifinality,

dynamism and relationship with the external environment. So, the essence of vertical integration, in our opinion, is the formation of a qualitative new organizational formation according to certain principles of cooperation of economic entities, structuring of system objects and implementation of strategic development plans for the purpose of obtaining profit. At the same time, business entities belong to different stages of a complete production and technological cycle, so we will consider approaches to the classification of types of vertical integration (fig. 2.).

The production and technological cycle in industry is the main factor in the implementation of vertical integration [416]:

- direct, management of stages of promotion of finished products: logistics, marketing, sales, service, etc. - the following stages of the production and technological cycle;

- reverse, characterized by combining with suppliers of raw materials, materials, components to reduce the cost of production, risks from the price situation, as well as to improve the quality of finished products; that is, integration according to the previous stages of the production and technological cycle.

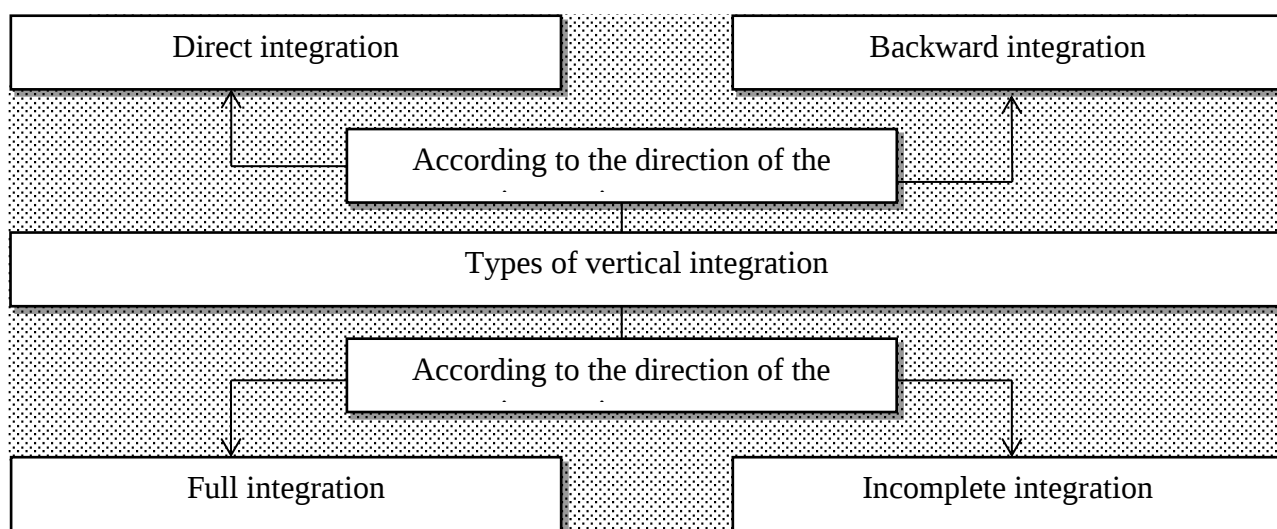


Fig. 2. Classification of vertical integration types

Source: compiled by the author based on [417, 418]

Full and incomplete (quasi) integration are also distinguished: full – formation of added value at all stages of the production and technological cycle; quasi-integration

involves the development of contractual relations with other economic entities with the aim of joint implementation of a separate stage of the production and technological cycle, carried out in such forms as franchising, long-term contracts, strategic alliances, joint ventures, transactions with raw materials. Therefore, vertical integration, in our opinion, provides an opportunity to reduce costs, create barriers to market entry of new suppliers, attract investments, improve management quality, reduce supply risks, etc.

In general, by the concept of "vertically integrated holding", in the dissertation work, we understand the association of enterprises - individuals and legal entities, which, based on the management of vertical production and technological connections, forms added value, which is an indicator of effectiveness for stakeholders.

As already mentioned, the formation and institutionalization of the VIH in the early 1970s was accompanied by a complication of the organizational structure, culture, business processes, and a change in goals. At the same time, the emergence of such organizational and management phenomena served the formation of the theory of organizational development.

Organizational development is a feature of enterprises and organizations, implemented through organizational changes, which are the appropriate response of the enterprise to the external environment. OD is a new direction of economic research, at the same time, it is reflected in the works of Ukrainian and foreign scientists. Consider the main approaches to defining the essence of the concept through the prism of scientific achievements (Table 1).

Table 1

Definition of the concept of "organizational development"

Author	Concept characteristics
V.O. Kravchenko [419, p. 159 – 160]	OD is a long-term work on improving the processes of solving problems and updating the organization with the help of a change agent through more effective joint regulation, using cultural postulates, theory and technology of applied behavioral science, action research.
F.I. Khmil [420, p. 173 – 174]	OR can be interpreted as long-term work in the organization to improve the processes of solving problems and updating. Such development is a strategic way, on the one hand, to increase the overall efficiency of the organization, and on the other hand, to increase the feeling of satisfaction and improve the working conditions of employees.

V. I. Totskyi, V. V. Lavrenenko [421, p. 5]	OD manifests itself in the improvement of structural characteristics both inside the enterprise, when restructuring and reengineering take place, network-like or virtual principles of functioning are implemented, and in its foreign policy, when it comes to the deployment of integration processes in view of the specifics of the market, strengthening of competition.
R. Beckhard [422, p. 9]	OD is purposeful work carried out by the top management to increase the efficiency and viability of the organization due to planned changes in the processes that take place in it, while using the knowledge and methods of the science of behavior and the science of management
U. Benis [423, p. 13]	OD is a response to changes, a set of educational strategies is designed to change the beliefs, attitudes, values and structure of the organization, so that it can better adapt to new technologies, the market, and challenges, and the accelerated pace of changes in the organization itself
F. Burke [424, p. 13]	OD includes consultants who try to help clients improve their organization by applying knowledge of behavioral sciences, psychology, sociology, cultural anthropology, and some related disciplines. Agreeing that OR is the cause of change, and if we accept that improving the functioning of an organization means that change has occurred, then in a direct sense, this means that OR is organizational change
S. Bell and W. French [425, p. 17]	OD is long-term work on improving the processes of problem solving and renewal in the organization by effective joint regulation of the cultural postulates of the organization - with special attention to culture within formal work groups - with the help of a change agent or catalyst - using the theory and technology of applied behavioral science, taking into account action research
V.H. Herasymchuk [426, p. 28]	OD is a purposeful activity of the enterprise related to the improvement of the processes of effective solution of social, organizational, technical and technological problems, arising under the influence of external and internal factors, through the constant review of strategies, functions of structures at the initiative of the catalyst of changes with the application theories of motivation, action research, rational and other methods.
F. Burke, K. Horenstein [427, p. 24]	OD is a process of planned changes - changes in organizational culture from one that allows avoiding the assessment of social processes (especially decision-making, planning and communications) to one that institutionalizes and legitimizes this examination.
I. Cummings, S. Worley [18, p. 1–2]	OD is a process that uses a wide range of knowledge from the theory and practice of the behavioral sciences to help organizations increase their capacity for change and achieve greater performance, including increased financial performance, customer satisfaction, and organizational member engagement.

Source: compiled by the author based on sources [419-427]

Let's highlight the key words used by scientists to characterize OD (Table 2) as a result of the analysis of approaches to defining the concept of organizational development. The majority of OD researchers single out changes as the main goal of organizational development, which in turn will contribute to increasing the efficiency

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of the organization as a whole. OD and organizational changes are categorically different concepts.

Table 2

Correlation of definitions and key words of the definition of OD

The authors	Changes	Development	Effectiveness of organization functioning
V.O. Kravchenko	+	+/-	+
F.I. Khmil	+/-	+	+
V. I. Totskyi, V. V. Lavrenenko	+/-	+	+
R. Beckhard	+		+
U. Benis	+	+	
F. Burke	+	+	+
S. Bell and W. French	+		+
V.H. Herasymchuk	+	+	+
F. Burke, K. Horenstein	+	+	
I. Cummings, S. Worley	+	+	+

Source: compiled by the author

According to the definitions given in the table. 2, it can be argued that organizational changes are only one of the tools of organizational development, a method used with only one goal - to increase the efficiency of the organizational system. Organizational development is a complex process, the implementation of which requires a long period of time, unlike organizational changes, the multidimensionality of which is characterized by a set of organizational changes in a certain agreed sequence.

According to R. Beckhard, one more important aspect of organizational development is the participation of the company's top management in this process, because it is the initiation of changes by the top management that characterizes the systemic nature of management policy and indicates the company's relationship to the external environment, or its functioning as a whole.

The latest definitions of the term "organizational development" by practitioners are available on the website of the Organization Development Network. A. Mynors, a consultant on OD, defines OD as "a field aimed at interventions in the process of human systems (formal and informal groups, organizations, communities and society as a whole) to increase their effectiveness using a variety of disciplines, especially applied

behavioral sciences. OD requires practitioners to adhere to certain values that guide their practice and emphasizes people as the main source of achieving results. [428].

Scientific approaches to understanding the essence of OD are different.

Organizational development, according to the author, is a complex, strategically oriented process aimed at increasing the competitiveness of the enterprise through changes in strategy, structure, processes and culture using the knowledge of applied behavioral sciences [429].

A comparative analysis of the first approaches to defining the concept of OD, and modern ones, identifies that the development of the theory of organizational development in the early 70s of the XX century. focused on increasing the effectiveness of the organization, implementing its strategy and interaction with the external environment, thus, it can be argued that this is the implementation of planned changes. In recent years, approaches to the concept of organizational development give scientists the opportunity to single out a new concept - "organizational learning", that is, the creation of a fundamentally new organizational model, an organization whose main goal will be forecasting changes in the external environment at the expense of a modular structure - open to change, a transition from reactive management to proactive management. This difference between early approaches to the definition of the concept and modern ones is primarily a reflection of recent changes related to organization theory. Differences also exist in domestic and foreign studies. Thus, domestic research is primarily aimed at researching the internal system of the enterprise - production and technological indicators, the issues of personnel development and strategic management systems in the VUCA environment are neglected. Analyzing the evolution of OD models (Table 3), according to the features we have highlighted - the components of the models, the presence of dependencies between components, interaction with the VUCA environment, the efficiency/degree of achievement of goals, which are necessary for the identification of objects of strategic management of ODs of the VIH, made it possible to determine OD objects: strategy, organizational structure, organizational culture, business processes.

Table 3

Approaches to the formation of models of organizational development

Model name	Components of models	Identification of dependencies between model components	Interaction with VUCA environment	Efficiency/ degree of achievement of goals
1	2	3	4	5
«driving forces of growth" by A. Down (1967) [430]	State organizations, resources, formalization, innovation, creativity, coordination	The components are interdependent	Control over incoming resources	Implementation of development goals is possible only by controlling the use of resources
"management participation" H. Lippitt, U. Schmidt (1967) [431]	Management systems, reputation, life cycle stages, reputation	Dependent variables in progressive development	Adaptation to a changing environment	Survival is possible due to the formation of unique capabilities of the management system
"strategies and structures" by B. Scott (1971) [432]	Informal structure, bureaucratic structure, conglomerates	The components of the models are interdependent	Attention is not emphasized in the model	Development is possible if the conditions of the company's growth rate = level of management functionality are met
stages of development and growth crisis of the organization L. Greiner (1974) [433]	size, stages of evolution, stages of revolution, rates of growth of the industry.	The transition to another stage does not occur if the crisis of the previous one is not overcome: downward dependence	The external environment is a catalyst for structural transformations	Improvement of the management system is a condition for transition to another stage
the mentality of the members of the organization by U. Tobert (1974) [434]	Development, individual mentalities, cooperation	Causal dependence	Orientation to the internal environment	Increasing the effectiveness of interpersonal communication
"functional problems" by F. Liden (1975)[435]	Innovations, work methods, goals, behavior, structures	The components are interdependent	The environment has a direct impact on the organization in the form of functional problems	The purpose of functioning is the institutionalization of structures

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Continuation of Table 3

1	2	3	4	5
"six cells" by M. Vybord (1978) [436]	relationships, leadership, rewards, mechanisms	The relationship between the components is not obvious	The environment influences through organizational inputs and outputs; the fit between the organization and the environment is also considered	The greater the gap between formal and informal systems within each component, the less effective the organization
"organizational structure" by D. Kats, R. Kahn (1978) [437]	Simple system, sustainable organization, motivational mechanisms, network structures, behavior	Downward dependence between components: the production system is the basis for the formation of management, etc.	Organizational control of entrances, organization as an open system	Formation of adaptive mechanisms in order to function effectively in a VUCA environment
the theory of the life cycle of the organization by I. Adizes (1979) [438]	management technologies, corporate culture, organizational climate	The components are dependent and affect the transition from one stage of development to another	The model does not emphasize attention	Conditions for increasing efficiency: formalization, administrative regulation
"internal social control, the structure of work and relations with the environment" by J. Kimberly (1979) [439]	Ideology, personnel, organizational identity, social control, communications	The components are interdependent	Minimal boundaries between the organization and the external environment	Performance indicators: increase in the number of personnel, the amount of funding
integrative model of R. Quinn, K. Cameron (1983) [440]	Organizational culture, organizational changes	Organizational culture as a factor influencing the entire enterprise	Access control: resources	Creation of an innovative enterprise - business processes are based on innovations
"7C" by McKenzie or T. Peters, R. Waterman (1986) [441]	People, systems, strategy, structure, skills, and shared values	The components are interdependent	Focus on internal components	The components must be optimized to become congruent as a system

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Continuation of Table 3

1	2	3	4	5
Model by U. Burke, J. Litvin (1992) [442]	Mission, leadership, culture, organizational change, organizational climate, individual and organizational effectiveness	Hierarchical dependence between components, causal relationships between components	The external environment as a component of the enterprise	Development occurs during the implementation of the program of organizational changes of the entire system
the theory of "organizational life cycle" D. Lester, J. Parnell, A. Karragen (2003) [443]	Competitive strategy, organizational structure, decision-making style	The components are hierarchically interdependent	The state of the industry affects the implementation of the strategy	Implementation of the program of organizational changes

Source: systematized based on sources [430-443]

Management of OD components is aimed at the implementation of organizational changes, which are necessary in the implementation of the vector of further OD of the enterprise. The interaction of business entities at the micro- and meso-level economic systems is a feature of the OD itself. Macroeconomic aspects of activity lose their relevance, since the global context (the creation of transnational corporations) is already development in general. The process of implementing organizational changes involves the identification of a problem within the enterprise or the formation of new requirements in the external environment for the enterprise, the creation of a group of experts who will carry out diagnostics of the enterprise, the formation of a change program for the objects of the management system, implementation and control over the implementation of changes.

Therefore, in order to achieve the goals of organizational development, it is necessary to implement a complex of strategic change management, which combines the transformation of the functional organizational structure, business processes, and resources, taking into account the personal values of employees. The selection of "strategic" changes is justified by the expansion of the company's planning horizons in the conditions of a VUCA environment, the planning and initiation of the

implementation of such changes is carried out by management personnel and assumes the availability of appropriate resources and ambitious goals of top managers, as well as meeting the interests of shareholders.

Therefore, the concept and essence of OD is, in a certain way, inherent in the ICS and is its key characteristic. The origin of the theory of OD was caused by the intensification of the formation of transnational groups of capital, the management of which became more complicated and, taking into account the constant changes in the globalized world, required taking into account the role of the management factor as a factor in the successful functioning of the VIH. The formation of VIH according to the continental principle as a catalyst of the OD theory made it possible to respond to the challenges of the external environment - the creation of strategic alliances, the formation of programs of social responsibility of VIH, the initiation of mergers and acquisitions, the development of tools for strategic management of VIH, etc.

In general, the OD of VIH represents a complex process of evolution of holdings, with the selection of the theory of OD at the second stage of the formation of holdings as business entities due to a change in the directions of cooperation (in this context, we understand the forms of integration of business entities: vertical, horizontal, conglomerate) between enterprises, which is carried out at the expense of managerial influence on the following constituent objects: strategy, business processes, organizational structure, organizational culture and others related to them or detailed by derivatives of the above.