SERVICE INDUSTRY MANAGEMENT: ORGANIZATIONAL ASPECT

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ABSTRACT

In the conditions of social changes and economic modernization special attention should be paid to operation and development of the service industry as its degree of development mainly defines the rate of employment, living environment, and the level of life in the country. Estimation and management of the service sector from the operational point of view is performed with the help of principles of classification of business entities and peer grouping. This approach enables us to apply holistic analysis to functioning system and to take justified decisions. At present, all service entities based on the territory of the Russian Federation can be grouped according to the following characteristics: type of industry, economic activity, organizational and legal form, form of ownership, sector of economy, and location.

JEL CLASSIFICATION & KEYWORDS

■ L80 ■ Service Industry ■ Service Industry Management ■ Classification and Grouping of Service Entities.

INTRODUCTION

The main elements of any economic structure are socioeconomic relations, based on the existing patterns of ownership of economic recourses and results of economic activities; organizational and legal forms of economic management; the approach of economic activities regulation on the macroeconomic level and also the system of stimuli, motivations and specific economic connections between enterprises and organizations.

The estimation of economy functioning generally and its single brunches realizes on the basis of classifications and economic units groupings. The aim of this process is creation of homogeneous groups. This deviation allows us to make complex analysis of the functioning system and to make management decisions. The most important element of the research opening stage is a classification which involves logical method of phenomena (objects) and notes ordering for classes, branches, grades and groups on the ground of the main characteristics. Grouping or dispensation of objects (parts of aggregation) becomes a real classification only in case it uses for any economic system. Consequently, we are going to define the notion "classification" as a stable, commonly used and usually legalized grouping. The content of classification in the national economic is predetermined by the process of the social production and its changes. It helps to mark separate subsystems.

Main text

Reforming of the Russian Federation economy has touched all spheres of activities. In practice there were implemented such elements of statistical infrastructure as United State Register of Enterprises and Organizations (USREO), united state enumeration, new classifiers (types of economy activities, institutional units, etc.), realized the move to usage of national accounts system, etc. This changes demands to adopt economic entity to the current conditions and also to advance management organization.

The homogeneity of the economy system units could be considered from the different aspects: 1) divided in the sectors of the national economy; 2) types of economy activities; 3) economic sectors; 4) patterns of ownership; 5) departmental affiliation; 6) law and organizational forms of economic management; 7) territorial belonging. The current classifiers are developed on the basis of this signs (the main classifiers that are usually used in practice are reflected in the Table 1).

Table 1. The service enterprises grouping on the basis of the main characteristic of the Russian Federation operating classifiers

Classificatory sign	Affiliation of organizations
1. Sectors of Russian Classifier of Economic Branches (operated since 01.01.2003)	Transport, telecommunication, public services, educational institution, medical care, culture and art, financial and credit enterprises and institutional units of other fields
2. Economic activity types in accordance with All-Russian Classifier of Types of Economic Activity	Enterprises of all ownership forms and branches which realize different services as the basic activity or as a side-work
3. Legal form of economic management in compliance with All-Russia Classifier of Organizational Legal Forms	Artificial persons that are profit organizations; artificial persons that are nonprofit organizations; organizations without a right of legal entity; individual entrepreneurs.
4. Ownership forms according to All-Russian Classifier of Forms of Ownership	Private, state, municipal and others patterns of ownership
5. Economic sectors as indicated in Institutional units classifier	Non-financial corporations; financial corporations; public administration; households; nonprofit organizations; serving household; other world
6. Ministry or other central body of executive power in obedience to All-Russia Classifier of State Government and Administration Bodies*	Ministry of Education and Science of the Russian Federation; Ministry of Public Health and Social Development of the Russian Federation; Ministry of Culture and Mass Communications of the Russian Federation; Economic Development Ministry of the Russian Federation; Ministry of Finance of the Russian Federation; Ministry of Internal Affairs of the Russian Federation; Ministry of Telecom & Mass Communications of the Russian Federation; Department of Justice of the Russian Federation; Ministry of Sports, Tourism and Youth Policy of the Russian Federation; Ministry of Defense of the Russian Federation; Ministry of Natural Resources and Environmental Protection of the Russian Federation; Russian Central Bank; the Federal Customs Service; Federal Tax Service, etc.
7. Territorial affiliation pursuant to All-Russian Classifier of Administrative-Territorial Entities	Republics, krai, regions, cities of federal significance, autonomous regions; autonomous areas; administrative districts; cities; intracity districts, city districts; semiurban centers; village Soviets rural-type settlements.

* - The names of ministries could have changed.
Source: Author

The adoption of accounting operation automation made possible the modernization of the classifier elaboration technique or lists of objects with the numbers or codes assigned to each object [5]. The classifier code replaces the title of an object, and also is its constant mean of identification. The code makes easier collecting, process-

ing, transferring and usage of the statistical information techniques.

In the native socio-economical statistics different classifiers are used. The institutional units that were identified on its basis could be considered as economic systems. For years All-Union Nomenclature of Sectors of the National Economy could be noted as the most fundamental one. It is based on the Marxist-Leninist political economy propositions concerning economical basis and superstructure, the social product reproducing, material production. These propositions reflect the fundamental difference between material production and non-production sphere. The uniformity of realizing functions was designated as a core criterion for dispensing organizations to appropriate sphere.

International Standard Industrial Classification became a foundation for the developing of the All-Russian Classifier of Types of Economic Activity in the Russian Federation. The forerunner doesn't distinguish material production and non-production sphere. That's why the sums of population, households and economic units incomes reflects the global domestic product calculation method   widely used in the abroad practice. All-Union Nomenclature of Sectors of the National Economy (1976) foresaw such deviation.

The field enterprises grouping used for studying a production process, construction the balance between product recourses, services and its usage; for researching the problems of enterprises organizing and concentrating, the market condition analysis, type of ownership, etc.

The underlying principles of this classification are: a) production technology entity; b) using raw material homogeneity; c) the purpose of the manufacturing production [5].

The sector enterprises grouping determined techno-economical aspects of productive relations and didn't take into consideration its status: independent enterprise or its branch. The important methodological point is that domains in this classifier are defined in the way of excluding non-tradeables producers. At the same time, the difference between tradeables and non-tradeables producers can't be considered as an activity classifying characteristic. That is why, for example, educational or healthcare services provided on a fee basis (by tradeables producers) and on the basis of different levels budgets (by non-tradeables producers) can't be classified as different types of activities from the point of different payment sources. But the sector classifier diverge this types of activity.

International Standard Industrial Classification of all economic activity identifies the following strategic units: enterprise, type of activities unit, local unit, institution. Enterprise is the biggest economic unit, which covers the whole productive activity process. This unit is autonomous in the financial and productive decision-making and also homogeneous in terms of types of activity characteristics and localization.

The notion "enterprise" is used in the System of National Accounts for marking an institutional unit as a goods and services producer. However enterprises can have several types of activity.

Since the 1st of January, 2003 the All-Russian Classifier of Types of Economic Activity was introduced in the Russian practice [2]. It is constructed with the national accounts system taken into consideration. The most important keys of its methodology are the following:

- the modification of the economical sectors grouping principles from the productive and non-productive spheres to dispensation of economic activity types based on the mining and manufacturing types of activities that provide services;
- taking into account in the new types of activity classifications that add another views to the division of the work in society and recreate market relations in the economy.
- All-Russian Classifier of Types of Economic Activity is practically-oriented for organs of state and local government, financial organs and statistical offices. Its implementation provides:
- conducting of organizations and enterprises economic activity statistical investigations;
- carrying out an analysis of statistical information on micro and macro levels;
- constructing the multisectoral balance of producing and distribution of goods and services in accordance with the System of National Accounts;
- registration ad accounting of organizations and enterprises on the basis of economic activity in the Single State Register;
- application of the common statistical terminology and definition of statistical units accepted in the European Union;
- the possibility of national and international statistical information comparison.

The operation of the all-union classifier "Sectors of the national economy" (since 01.01.2003) was stopped since the implementation into practice the All-Russian Classifier of Types of Economic Activity. The structure of national economy from the point of view of sectoral classifier and types of economic activity is shown on the picture 1.

he objects classified in the All-Russian Classifier of Types of Economic Activity are all types of economic activity of the economic agent (natural and artificial persons).

The All-Russian Classifier of Types of Economic Activity consists of two blocks:

- Identification;
- Title.

The identification block has a hierarchical system of classification and consistent coding system with an alphanumeric code. The overall structure of the All-Russian Classifier of Types of Economic Activity includes sections' names (one letter of Latin alphabet), subsections (two letters of the Latin alphabet), and section (two digits of the code). It should be noted that for types of activities that provide services, the subclassification is not provided.

Type of economic activity - one of the key identifying features. Within one enterprise could be realized one or more activities. According to the All-Russian Classifier of Types of Economic Activity includes, all activities of producing units is divided into main, subsidiary and collateral (minor). Since the service sector made up of businesses and (or) their units for which service is the main or side activity, it is necessary to consider the methodological aspects of such division.

For identifying the subject as referring to the appropriate accounting concepts category initially defined core activities, secondary and collateral. In the international practice, uses several criteria for selecting the main activity:
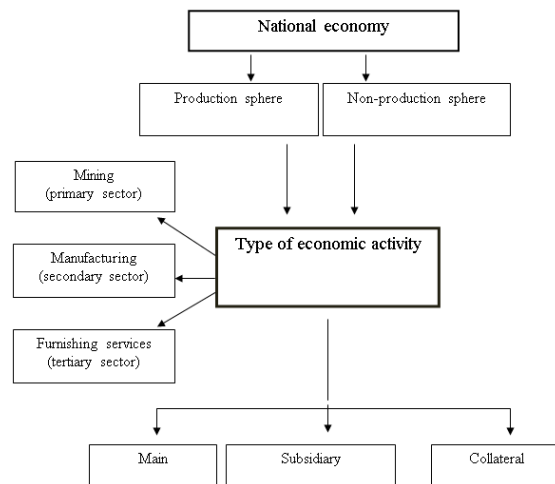
- the number of workers;
- the weight of the total output of goods (works, services);
- the weight of the total profits.

The maximum value of the index (in %), respectively to the selected criterion determines the main type of the economic agent. The statistical office gives each company a five-digit code of the main activities of the All-Russian Classifier of Types of Economic Activity includes. This code enters into an information data bank of Uniform State Register of enterprises and organizations (USREE). A side (secondary) activity is any other activity, which part in accordance with the selection criterion chosen is much less than that of the principal activity. Consequently, each company can have several side activities.

Subsidiary activity is an activity aimed at the main goal achievement - to promote the implementation of the principal activity of the economic agent (e.g. inland transportation, points of contact, etc.).

The main activity for production unit is an activity that added value exceeds the value added of any other activity. The product that is a result of the principal activity, may be the main or side. It is possible if the subsidiary services produced together with the main ones (e.g. repair or sewing furs with its coloring). Main activity product must be suitable for supplying to other units, even if it can be used for own consumption and own capital formation.

Figure 1. The structure of industries and activities in the economy

Source: Author

Subsidiary activity is a support activity carried out within the enterprise to create conditions, in which may be realized the main or secondary activities. In the System of National Accounts the following activities, serving the main production are treated as subsidiary:

- production management;
- repair and maintenance of machinery and equipment;
- freight and passenger transportation within or outside of the production unit;
- storage of materials;
- supply and distribution;
- repair works.

In the System of National Accounts and the International Standard Industrial classification subsidiary activities are considered as integral parts of primary or secondary activities with which they linked with. Therefore, their production volume is estimated by intermediate consumption and is not included in the gross value.

Products and services of subsidiary activities are not intended to be used use outside the enterprise. While selecting a homogeneous activities subsidiary activities are not separated from the main subject, if the main activity has the predominate value. However, if the part of the support activity accounts for half or more than half amount of work, it must be attributed to the main or side activity.

Added value is not determines from the secondary activities because it is combining with added value of primary or secondary activities.

Subsidiary (minor) activity is the activity that is carried in a separate production unit in addition to core activities. It refers to the products manufacturing of other industries. For example, a secondary agricultural store in enterprise that provides services or major construction companies in organizations of other sectors. The added value of secondary must be less than the added value of primary activities. The product of activity is just a secondary product and should be suitable for delivery outside the production unit.

Since 01.01.2000 in the Russian Federation the National Classification of legal forms was enacted [3]. It is a part of the unified classification and coding of technical, economic and social information, and is used in collecting and processing information in automated systems, the state statistics, accounting, research, and other objects of classification. The objects of this classification are legal forms of business entities, established by the corresponding Classification of the Russian Federation.

The National Classification of enterprises by organizational-legal forms includes the following categories of businesses: - legal entities that are commercial organizations, usually created in the form of economic partnerships and companies, production cooperatives, state and municipal unitary enterprises;

- legal entities that are non-profit organizations may be created in the form of consumer cooperatives, community or religious organizations (associations), financed by the owner, charity and other funds, as well as in other forms that provided by law;
- organizations without legal personality function as a financial-industrial groups of the Russian Federation, mutual funds, representative offices, branches and other separate subdivisions of legal entities, as well as simple partnerships;
- individual entrepreneurs - the citizens, that carry out their activities without forming a legal entity.

As actors in the classifier signed entities, which have separated property and can acquire property on its own behalf to and individual property rights, as well as be bound by them.

Forms of ownership as economic categories are used in the analysis of statistical or financial reports, statistical bulletins, along with the classifications of legal forms and economic activities [4]. It allows accurate analysis of the economic activities in the Russian Federation or in certain regions being carried out.

In order to study the market relations between economic entities the sectoral classification of institutional units is used [1]. The economy sector grouping is one of the most important in the statistical model of a market economy. Sectors are formed by dividing the national economy into homogeneous ones in terms of economic activities, goals and objectives of institutional units, resident and treated as its subsystems.

The purpose of the division of the national economy into sectors is a grouping of such units, which economic behavior and goals are similar. As a part of this classifier the following economic sectors (institutional unit) are identified as independent subsystems:

- non-financial corporations, that include companies, institutions and organizations of all forms of ownership and legal forms of management, engaged in market production of goods and services, production costs that recover through sales revenue. The purpose of this sector is receipt of profit.

- financial corporations - commercial institutional units that specialize in financial intermediation activity (commercial banks, credit societies, associations), insurance companies, etc. The aim of this sector is receipt of profit.

- public administration, including public authorities and administration at the federal level, public authorities and administration of the Federation, local governments and public social security funds.

- households - individuals as consumers, and in some cases as agents of unincorporated industrial activity. The purpose of this sector is final consumption and the production of goods, provision of works, services and their implementation.

- the non-profit institutions sector that serves households includes organizations that are not controlled or financed by the state: trade unions, political parties, religious, scientific, sports, charities and foundations. The functions of the non-profit organizations include the provision of market services for individual and collective character. Revenues in this sector are mainly formed by voluntary contributions, donations and income from the property. The purpose of this sector is the rendering of services.

Thus, sector is a combination of institutional units that are homogeneous in terms of their functions and its financing costs methods. Sectoral classification is aimed to study the flows of income and expenditure, assets and liabilities, to assess the contribution of private, collective, state enterprises, institutions and social organizations, subsistence households. It is also required for macroeconomic analysis, modeling and elaboration of state economic policy.

Conclusion

Service sphere feature as an object of management is that it integrates enterprise (divisions) of diverse activities that implement the purpose of this sector in the social division of labor. Therefore, activities management of services is as necessary as the management of other sectors of the economy.

In service industries there is no standard structure of governance, as in the case, for example, of industry. At the same time, the management structure in a number of service industries has common features: enterprises are double-subordinated (branch and territorial control). In addition, many ministries, agencies, associations and enterprises include enterprises or business units of services (hospitals, kindergartens, clubs, restaurants, libraries, rest homes, motels, hostels, etc.). These objects are in fact separated organizational elements of the appropriate service industries domains. Consequently, the organization of their activities should be governed by the same principles as the activities of subordinate enterprises through specialized industry.

The goal of the central government (ministries, agencies) is to concentrate its activity on ensuring a common policy in the development of the industry, setting priorities for investment, introduction of advanced technologies, economic and statistical methods of analysis and forecasting. The necessity to comply with uniform policy in the field of organizational and scientific-methodical management of service facilities requires to ensure not only the coordination of identical plants within an industry (united by their functional purpose), but also the coordination of different industries.

The activities of the most part of service industries have a manifested local character. In their composition small enterprises of different ownership forms, mainly collective and private dominate.

Each company registers and as a result of it gets an identification number. The results of enterprise's work are reflected in the statistical reports, which indicators are developed according to current classifications by industry, territorial sections, by ownership, organizational and legal forms of management, departmental affiliation. These attributes are represented in the reporting forms by the corresponding codes. Data processing is based on the usage of qualifiers viewed above, which allows to generate an appropriate system of indicators used in the analysis, development planning, forecasting, development of social programs, and justification of management decisions.

Thus, service industry management presupposes – from the operational point of view – the integration of the businesses of this sector according to type of industry, form of ownership, national economy sector (institutional entity) and organizational and legal form. Grouping businesses according to the above mentioned characteristics helps to form a system of statistical indicators suitable for analysis and decision-making.

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