

## THE ROLE OF A HOLDING COMPANY AND MANAGEMENT STRUCTURE IN IT

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**Abstract:** This article is about the role played by holding companies in the activities of their subsidiaries. It considers in detail the question of the choice of the organizational structure for a particular type of holding. The types of integrated holdings and their features. Are described we also consider the situation of the development of holdings and identify key areas for its development.

**Keywords:** holding, subsidiary, linear- functional structure, divisional structure, vertical integration, horizontal integration, diversified integration.

Nowadays, economically strong and successful companies are holding structures. They, during, a long evolutionary path, have integrated largely in to the developed world. Without exception is our country, the Russian Federation, in which the path to the holding occurs ten times faster compared with other countries. Creating holding structures and their functioning has several advantages over the sole companies. This is primarily due to the fact that the holding can to create closed technological chain from raw material up to the manufacture of the final product and bringing it to the consumer. Secondly, it helps to save on marketing, sales, and other services. Thirdly, the company, which comes into the holding is not only interested in the efficient operation of the enterprise, but also in other companies included in to the holding company.

In its turn, the occurrence of holdings means changing a form of the enterprise and, as a consequence, there is a need in changing approaches in this structure. There are different types of holdings under which it builds a suitable organizational structure of management, the choice of which also depends on the level of activity. For example, for a vertically integrated holding less suitable organizational structure is linear and functional, in isolation, are able to give each other the worst result in the maintenance of the relationship between the structural units as for holding important leadership flexible management tool that allows you to quickly and effectively manage the activities of each employee and division of each subsidiary. Such a mechanism is needed to improve performance, achieve profits, hold a certain level of sales. For this purpose, holdings in conjunction with the principle of linear control model for constructing a functional corporate structure should be used. Particular attention is paid to the correct definition and delimitation of areas of responsibility, to avoid duplication of functionality. Therefore, due to the diversity of types and scope of the holding a model that reflects the way of management structure formation in a particular type of holding was made. (Шиткина, 2008)

**Tab. 1. The model of the selection in holdings organizational structure.**

THE TYPE OF INTEGRATION	SIZE HOLDING COMPANY		
	Small	Average	major
	The type of organizational structure		
Vertical	Linear-functional	Linear-functional	Linear-functional
Horizontal	Linear-functional	Divisional	Holding structure
Diversified	Holding structure	Holding structure	Holding structure

What is the meaning of these three integrations and what are their characteristics? Vertical integration is the amalgamation of several successful stages in the production of the product. This allows the company to reduce transaction costs and speed up the production process. Horizontal integration is the process of association of firms that produce the same product, which in turn can

reduce costs through economies of scale and eliminate competitors or reduce the impact of competition, which will strengthen the firm's control over the market. A diversified integration - the process of combining businesses that are not connected directly to any commercial or industrial relations. To this type of integration can refer Russian banks that invest their funds in various investment projects.

The selection model organizational structure of the holding is clear that for a vertically integrated holding company (VIH), the scale of which would be to use different linear- functional management structure , as well as for horizontally integrated holding (GIH) , the scale of production is small . This is primarily due to the fact that the subsidiaries can be considered as production areas in which management will be based on the principles of centralization. In turn, the central planning of sales will contribute to the programming activities of all production sites (subsidiaries). Now with regard to the scale of production that GIH is small and it is in the same region. In this case, holding usually involves no more than 10 business units, which in turn fits into the norm of controllability. Business units must comply with the central company, located in this region. This will allow the company as soon as possible to adapt to the changing market conditions and to respond to it properly.

When extending the GIH and its output beyond a single region, linear- functional management structure must be changed to a divisional. In this case then, the company responsible for managing all shifts on subsidiaries and retains this centralization in the functional services. But if all of a sudden, the company decided to do business in areas that are significantly different legally, economically and socially, then it is necessary to create separate functional departments within the subsidiaries and look for satellites. In this case, the changes in the scale of the holding is not of a quantitative economic indicators , and with territorial disunity of the subsidiaries.

As for the integrated diversified holding (DIH), regardless of the scale of production it is necessary to apply a specific organizational structure of management, which is called a holding structure. This is a structure that combines divisional modified matrix network management organizational structure and, were functional departments of subsidiaries are directly subordinate to the head of this subsidiary.

Principle of decentralization inherent in conglomerates in the 20s of the last century, was effective in the control of any organization. The lack of competition and high demand allowed to earn capital in any industry, even in strategically unpromising. In today's economic conditions classic management techniques based on decentralization of management in diversified holdings, often are not justified. The most difficult to manage and develop diversified holdings are the key role played by holding (management) company that not only owns controlling stakes in subsidiaries, and has a direct impact on managerial holding companies. (Лартев, 2008)

Center of the organizational and economic processes in the parent holding company is a holding company. It sets specific targets and develops the general direction of development and functioning of the entire holding. It also sets the means, forms and methods that will ensure the achievement of its goals. A holding company controls the process of achieving the goals and makes adjustments as necessary. The main purpose of the parent holding company is to ensure coherence and synergies between its subsidiaries, which together constitute a single whole. Therefore, the parent company must have exceptional features, which would include only its competence. (Горбунов, 2003)

Very important and the key functions of the parent company are : strategic management of all parts of the organization ; uninterrupted supply and cash flow management ; fundraising ; personnel management by developing and implementing company standards ; development of management and employee motivation. Through these techniques holding can improve efficiency in the management and operation of the entire combination as a whole.

Parent holding company is the sole owner of the entire association, which obliges it to maintain a single strategic management, because for suppliers, buyers, lenders and investors credibility of the company, its financial stability and solvency are important. Therefore, it is impossible to maintain an isolated financial management between the subsidiaries, otherwise it will undermine the financial viability of the holding as a whole and damage the company's image. From this we can conclude that good reputation is very important because for holding it applies to all subsidiaries in general.

In order to promote the development of holdings in the country, the government should first create the conditions for the functioning of holdings that would help attract investment funds into production, thereby increasing the competitiveness of the enterprises included in to the holding

company. To solve these problems, the government should actively pursue public policies, which would include measures such as the provision the status of a single taxpayer, the possibility of getting rid of taxes by moving the cash flows within the holding. To my mind, these tasks will promote holdings in the country and attract additional investors, both domestic and foreign.

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