



## Enterprise management problems in the current crisis situation

## Problemas de gestión empresarial en la actual situación de crisis

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### ABSTRACT

The paper examines the problems faced by enterprises in the real sector of the economy. These problems are not new; they have been discussed in the scientific community for a decade, but in today's realities, when the entire world economy lives in a pandemic, these problems have become aggravated and require a serious, balanced approach to their solution. All economic crises are primarily reflected in investment activity. That is why it is necessary to highlight economic security to ensure the effectiveness of budget investments. In this area, the bulk of violations and sometimes crimes are observed in the financial and investment area of relations of all participants in business processes in the economy. In general methodological terms, the article substantiates and reveals a proposal for organizing a system of indicative analysis and regulation of production volumes and production and economic activities of enterprises and organizations of the real sector of the economy as an organizational tool for resolving crisis situations in the economy. Both external and internal factors are touched upon, which caused the current unsatisfactory state of the Russian economy. In a concrete plan, the author's proposals on the directions and ways of overcoming the current crisis phenomena in the Russian economy are presented.

**Keywords:** crisis, crisis state, productive capital, real sectors of the economy, financial sector of the economy.

### RESUMEN

El documento examina los problemas que enfrentan las empresas en el sector real de la economía. Estos problemas no son nuevos; se han debatido en la comunidad científica durante una década, pero en la realidad actual, cuando toda la economía mundial vive en una pandemia, estos problemas se han agravado y requieren un enfoque serio y equilibrado para su solución. Todas las crisis económicas se reflejan principalmente en la actividad inversora. Por eso es necesario resaltar la seguridad económica en el campo de asegurar la efectividad de las inversiones presupuestarias. Es en esta área donde se observan la mayor parte de las violaciones y, en ocasiones, los delitos en el área financiera y de inversión de las relaciones de todos los participantes en los procesos comerciales de la economía. En términos metodológicos generales, el artículo fundamenta y revela una propuesta de organización de un sistema de análisis indicativo y

regulación de los volúmenes de producción y actividades productivas y económicas de las empresas y organizaciones del sector real de la economía, como herramienta organizativa para resolver situaciones de crisis en la economía. Se abordan los factores, tanto externos como internos, que causaron el actual estado insatisfactorio de la economía rusa. En un plan concreto, se presentan las propuestas del autor sobre las direcciones y formas de superar los fenómenos de crisis actuales en la economía rusa.

**Palabras clave:** crisis, estado de crisis, capital productivo, sectores reales de la economía, sector financiero de la economía.

## 1. INTRODUCTION

Having overcome the economic crisis of 2008 to a certain extent, our country is now facing the challenge of sliding back into a long-term crisis situation.

It was clear to the business community related to material production and specialists and economists of our country in the years when the crisis came to an end in 2008 that it would repeat itself in the relatively near future, or rather it would continue. In order to anticipate the inevitability of the economic crisis, it was sufficient to have statistical data on the dynamics of investment in the development of the real sector, data on the growth of required production capacities in it, and data on the dynamics of production growth in the processing industries (Asaul, 2009; Dubenetsky, 2009; Bondarenko et al., 2020).

Government authorities continue to focus primarily on the financial crisis (i.e., the impact rather than the reasons) and make decisions on its resolution/prevention, primarily in financial instruments. It should be noted as a positive aspect that how the previously accumulated financial reserve has been used in overcoming the 2008 economic crisis has not yet been fully utilised. However, based on the government's financial leadership statements, there are certain prerequisites for this (Garmash & Pererva, 2020).

This reserve was created, if not mainly, by selling oil and gas abroad, i.e., due to natural rent, rather than producing and selling products and services by industry, transport, and agricultural production.

## 2. MATERIALS AND METHODS

The works by V.M. Serov, who is one of the authors of the paper, together with the professor, Doctor of Economics D.N. Zemlyakov, considered the ratio of financial, volume structural, and socio-cultural crises of the country's economy in our understanding, and there is no need to do it again. It should only be noted that the financial crisis is only a reflection of the results of the volumetric and structural crisis in the economy, and even then it is only partial, because at present, thanks to their current system, finance does not adequately reflect the state of productive capital and the efficiency of its functioning (Serov & Zemlyakov, 2011; Serov, 2013; Nalçacigil & Özyilmaz, 2020).

Therefore, before making fundamental anti-crisis decisions, it is necessary to understand in detail all external and internal factors, conditions, and causes of the current poor economic situation. In other words, it is necessary to act in accordance with the document being the most developed methodologically, such as the Armed Forces Field Manual, according to which, before taking action, a reconnaissance must be done, the situation must be understood, and then a decision must be taken and an order issued.

It would be an error in resolving the problems of the current poor economic situation of the country to accept a sharp drop in oil prices and the imposition of economic sanctions by foreign countries with regard to the supply of certain types of products and the provision of credit funds for the implementation of investment projects by domestic companies as main causes, factors, and conditions of its crisis. Yes, these factors have had a negative impact on our economic development. But wasn't it clear that due to shale oil

production in the USA and the attainment of almost 20% of its market share, the price of oil will fall. Next, even if oil and natural gas price fell, it is not only due to the proceeds of oil and natural gas that our country exists and must live (Tsvetkov, 2016; Nalçacıgil & Özyılmaz, 2020).

Considering the current unsatisfactory economic situation and determining the ways to overcome the crisis, we should note that they are fundamentally different from the crisis situation of 2008. Its cause is not certain participation in the general global crisis of some world economy overheating, overproduction of certain groups of goods, but, first of all, our own crisis of new value underproduction in Russia as a result of a "sluggish" process (crisis) of production capital reproduction in the directions determining the national economy development as a whole. The existing volumes of investment in the real economy sector have been and remain insufficient for the required and possible pace of development and renewal of their fixed assets. Some sectors were not developing, and it was planned to meet the demand for their products through import supplies. Foreign sanctions, which increase their negative impact on the national economy, show that the embeddedness of the national economy in the global/ European economy is hazardous due to possible significant domestic vulnerability to the economic interests of world capital and the political interests of its institutions not only in terms of acquiring new advanced products and new advanced technologies but also in terms of acquiring the relatively ordinary technologies. They have shown the possibility of international dictate to our country in terms of its economic and foreign policy activities and, as a result, the loss of not only the country's economy but also its political sovereignty and national security ( Bondarenko et al., 2020).

In accordance with the above, our country's central fundamental task is not to overcome the financial crisis but to reform and accelerate the national economy's development both in the short and medium-term and in the future.

### 3. DISCUSSION

In the future, this will include the preparation and transition to a new technological mode based on the development and implementation of new methods and energy sources, fundamentally new technological processes, including the creation of so-called "closing" technologies that will not require traditional existing production facilities. For example, according to academician O.L. Figovsky, serial production of cars operating with the use of water and aluminum as a catalyst will be set up in two years' time in Israel. The information has appeared about the alleged developments in cold fusion by American scientists. This may be an attempt to implement a discovery by our domestic author, which is to connect aluminum and copper plates and give off six times more heat energy than the electric energy supplied to the connection. Other discoveries of the subsequent economic mode are also known. Reputable scientists predict the creation and development of nanotechnologies in the foreseeable future that will make it possible to "compose" products and organisms with specified properties at the nuclear level. The formation of a new technological mode is a problem of great importance and significance in its own right and requires the enormous efforts of the scientific, technological, and business community. In order not to fall behind in this direction, not to look into the back of competitors running ahead, but to be ahead of them in scientific and technological development, and information-analytical and at the same time scientific and production structure headed by technocrat scientists, rather than managers of science in the form of RUSNANO, whose goal so far has been only to survive local private developments belonging not to the future, but still to the passing time.

In the current short and medium-term, the need to address the following two interrelated issues is quite obvious:

- The elimination of food dependency and the dependency of the functioning and development of a number of industries on external supplies;
- Structural adjustment of the economy towards the development of its real sector on a technologically advanced basis.

At present, the solution of the first problem on the part of the Government of the country finds its expression in the definition of subjects and areas of import substitution. However, in the context of the current crisis of underproduction of required products, this work should be made more systematic and mandatory. As a tool for defining import substitution products (items) and their volumes, it is advisable to adopt the drawing up of general and particular balances of production and consumption of industrial and other products. This is implemented basically in the European Union, where, in particular, Budapest has obtained an instruction to close its coal mines, and the volume of its coal supply from Poland was determined. Compiling these balances is the responsibility of the Ministry of Industry and Trade and state corporations and associations of producers. These bodies' task and duty are to organise a system of indicative regulation of production volumes and production and economic activities of companies and organisations in the real economy sector. At the same time, it should be noted that state support for industrial and economic activities should only apply to enterprises and organisations operating within the framework of the said indicative system.

In the current and medium-term plans, the general areas and directions of the national economy's structural transformation are quite obvious. There is no doubt that:

- It is necessary and possible to develop agriculture, produce agricultural products in sufficient volume for own needs, create facilities for its storage and processing, with a bias towards processing with the use of domestic technologies with the restoration of the former domestic quality of food products;
- It is possible that there are no reasons to prevent the corresponding development of the domestic agricultural engineering industry. The country has been able and is now able to produce modern agricultural machinery in terms of design and technology;
- It is possible that there are all conditions existing for the accelerated restoration of the domestic aircraft industry;
- It is also necessary and possible to restore the construction and road-building machinery and equipment sector. It would be advisable to voluntarily impose a 5-year moratorium on the importation of "ordinary" construction machinery and restore production of excavators in Kovrov and Omsk, automobile cranes in Ivanovo, tractors, and bulldozers in Cheboksary, and other machines in other cities where they were produced.

It is possible and necessary to define the range of machines, technological and other equipment for all other industries, as well as other products that domestic producers can produce, and to determine the available and required production capacities.

But a special mention must be made of the restoration of domestic machine tool production, without which any country cannot be classified as developed or even developing. There is a need to develop and implement a separate independent and appropriate state programme to address this problem.

From the economic and financial point of view, it seems expedient to implement programmes for the development and revival of national economic sectors: firstly, to use the form of public-private partnership as the basis; secondly, to avoid the intermediation of banks in terms of financing the development of productive capital, because the main purpose of banks is to gain profit from the resale of money rather than to increase the country's productive potential. They are not responsible for this. It is proposed that the State Committee of the Russian Federation for State Property Management (Goskomimuschestvo) shall directly participate in the formation and development of productive capital in the relevant industries. By contributing to the creation or growth of production capacities, the state becomes its owner to the appropriate extent with all rights of distribution of profits and income of enterprises and organisations. In other words, the state does not subsidise the development of production irrevocably, and the invested funds receive a part of the distributed profit in addition to tax revenues to the budget. It can further sell its share in enterprises and organisations' capital or developed with its financial participation and turn the revenue into state budget revenues. Under the same scheme, funds from the budgets of the constituent entities of the Federation and municipal entities can be used to develop production in their territories.

When considering the system of finance and financing of product development as a whole, it is also necessary to state the necessity of reforming its functioning. If we evaluate the country's financial authorities' actions in terms of resolving the current economic crisis, then their financiers, being monetarists and claiming that finance is the bloodstream of the economy, seem to have little understanding of the links between the real economy and finance. Specialists in the analysis and evaluation of newly created value, the internal income of enterprises and organisations by analogy with internal national income, have the right to ask finance professionals if they know the real value (price) of the national currency and if they know the methods for determining it. One can argue that they do not. This is confirmed by the financial crisis's suddenness for the financial authorities and their jactitations concerning rouble to dollar and euro rates. The misunderstanding by public financial authorities of the link between the real economy and finance is also confirmed by the fact that a key lending rate has been set. It is clear to any economist and business manager that the value of this rate, firstly, practically deprives the real economy of the opportunity to develop (only simple and, taking inflation into account, a still partial reproduction of fixed assets can be done through depreciation), as it exceeds the industry average normal rate of return on productive capital, and, secondly, is aimed at increasing prices and heating up the process of inflation on manufactured products.

The need for the business community to understand its responsibility for the fate of the country's economy as a whole also appears to be a crucial component in resolving the state's strategic problem of overcoming the current economic crisis.

This applies to the banking and credit sector, as well as directly to owners of productive capital and various levels of government.

By providing loans to commodity producers at interest rates higher than the average normal rate of return on capital investments (in the pre-reform period, the standard efficiency ratio of capital investments was 0.15 for the economy as a whole), domestic banks manage to remain without financial resources and, in times of turmoil, including the economic crisis generated by them, request assistance from the state in additional capitalisation. The participation of banking structures in the export (leakage) of finance abroad should be checked.

Criticism of the practice of financial intermediation in the banking and credit sector, at which it is preferable to lend not to the development of productive capital, but rather to trade and intermediary activities, where a new value is mainly not created, but is only distributed and consumed, remains unanswered. They continue to give preference to lending not to commodity producers and organisations, but to trade intermediaries and the public, even if their repayment is not reliable enough.

Commodity producers also overwhelmingly see the main purpose of their production and business activities as profit rather than new value creation and, based on this, wage growth as a factor in the development and expansion of the domestic commodity market. Commodity producers need to understand that wage saving on their part is a counteraction to the development of the real economy and the development of its gradual "decay", with all the ensuing consequences (Polozhentseva et al., 2017; Bondarenko et al., 2020).

#### **4. RESULTS**

In view of the above, it seems appropriate:

- Firstly, to introduce into the state statistical reporting system, along with the indicator of gross domestic product, the indicator of newly created value – or domestic national income (for the country and constituent entities of the Federation) and the actual net product, now called value-added (for enterprises and organisations). The methods for their calculation have been developed and tested in the pre-reform period;

- Secondly, to raise the role of the minimum subsistence indicator; although, this has now become practically only a unit of the scale of charges and other economic penalties. But its value must be in line with the interests of the country; first and foremost, it must meet the requirements and conditions of financial support for the simple reproduction of labour in the country and the relevant state and territorial units. We have proposed an approach and method that meets these requirements and conditions (Serov, 2013; Bondarenko et al., 2020).

It is unlikely that the existing organisation of the financial sector and the financial activities of public authorities are effective.

First of all, the economic behaviour of the country's government and its financial bodies is not clear enough, where the state "stash" of financial resources is kept abroad at interest rates which are several times lower than the domestic interest rates for loans granted to domestic entrepreneurs by domestic banks, and in turn, they are borrowed from foreign banks at interest rates, which are several times higher than the interest received by the country for keeping its own money abroad (the cost of using other people's money). The abovementioned situation with the organisation of preservation of the state financial "stash" leads to the conclusion that from the point of view of the Government and financial bodies of the country, domestic commodity producers are not wealthy, are not economically reliable at all, and their existence and development as the conditions of life support of the country should not and are not subject to state assessment and guardianship. And the "stash" is essentially motionless, is barely alive, and is hardly generating any income.

There is no agreement that an effective production structure cannot be established in the country in the most important areas of production development, particularly the machine-tool construction described above. If private entities are unable to solve these problems, the decision must be taken by the government and its relevant ministries. At the same time, the government should not be guided by the unproven postulate that a state-owned company is always less efficient than a company or organisation with private capital.

The second is that there was an export of the big sums of the finance abroad the country though now this process has decreased with the occurrence of crisis phenomena; however, its excess in comparison with the volume of direct foreign investments to Russia is observed. The need to consider the participation/non-participation of banks in this process has been mentioned above. Commodity producers are owners of production capital; along with profits, they also export financial means of depreciation of fixed assets, which are intended for their simple reproduction. This is indirectly confirmed by the statistics of recent years showing a slight increase in investment in the development of the country's productive capital, which, taking into account inflationary processes, is actually absent. The volume of investments in the development of productive capital is even lower than the amount of depreciation accrued. In this regard, it would seem expedient to restore the line "depreciation means" in the accounting system (they are now impersonalized in the line "cash") and it is desirable to establish a mandatory procedure according to that depreciation funds are used only for their intended purpose. It would be advisable to add that depreciation funds that have not been used for their intended purpose in the relevant year are withdrawn to the federal and local budgets in equal or different percentages. Small and medium-sized enterprises and organisations that would then have practically no money for equipment replacement, as the equipment's service life is not one year but several years, would have to create collective depreciation funds and mutually lend for the preservation and development of their fixed assets.

A very important component and the most important condition for implementing the proposed concept concerning the national economic reform programme is its staffing and scientific support. It seems expedient that the technocratic nature would be an essential requirement for personnel intended to develop and implement programmes for the technical and technological development of the economy's real sector. The practice of managing by "managers in everything" has sufficiently demonstrated its inconsistency. The

Bachelors of Management and Economics, which are currently being prepared without a branch anchor, supplement the 'office plankton' and are not suitable as organisers and managers of real production. As practice has shown, specialists who have been trained and upgraded abroad in interstate relations are far from being suitable for real production management. In this regard:

- At the current stage of the development and implementation of state, sectoral, and territorial programmes for the development and improvement of production capital, only engineering staff with managerial experience should be used (the long-standing definition that the best economists are engineers is undeniably true), and some of them should receive training and professional development in economics and production management;

- To organise further academic training for personnel of higher levels of material production management, similar to the higher education of command staff at the General Staff Academy of the Ministry of Defence as a precondition of their transfer to a higher level of command;

- To restore within the higher education system the training of economists (engineers-managers) with a branch reference, who have knowledge both in the field of production techniques and technology and in the field of organisation and management of real production (with a term of study of 5 years). These specialists were in great demand in the pre-reform period. (The State University of Management was the head university in the Ministry of Higher Education of the USSR for determination of the content and methodological support of training of economic engineers in the country, and also had a faculty of industrial production and construction organisers, where managers of the top management level, i.e., managers of construction and assembly trusts, large production enterprises, production and also scientific production associations upgraded their qualifications). This view is supported by many specialists.

## 5. CONCLUSION

The problems discussed in this paper and the measures to overcome them and resolve our country's current economic crisis are certainly broader and more diverse. The authors have only touched on the part of the existing problems relating to industrial enterprises' faces in the economy's real sector as the most vulnerable component of the country's productive potential. The problems outlined and possible ways of solving them seem to be the most relevant, general, and conceptual.

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