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# BUSINESS TRAINING

Lecture summary

Lutsk – 2023

UDC 330.33 (072)
M 58

Recommended to be published by the scientific and methodical commission of Lesya Ukrainka Volyn National University (protocol No , , 2023).

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Mokhniuk A .M., Shostak L.V., Pavlov K.V.
**M-58 Business Training:** lecture summary. Lutsk. PE “Druk”, 2023, 51 p.

Lecture summary of the discipline “Business training” is designed to develop students’ entrepreneur skills. Masters will learn how to make effective management decisions in the globalised environment as well improve English.

Recommended for training masters of the branch of knowledge 07 “Management and administration” in specialty 076 "Entrepreneurship, trade and exchange activities".

**UDC 330.33 (072)**

CONTENTS

## Introduction

The discipline “Business Training” belongs to the elective disciplines and is aimed at mastering knowledge of the functioning and effective management of businesses in modern economy. The plan of the discipline involves various topics such as: features of business organization, opportunities for benchmarking, outsourcing and other models, adaptation of modern methods of staff motivation at Ukrainian enterprises, basic approaches to assessing the effectiveness of advertising, methods of strategic analysis and more.

The purpose of the discipline is the formation of theoretical knowledge and practical skills in economics and entrepreneurship, as well as the acquisition of business management skills, solving problems of effective management of the organization.

Learning outcomes (competencies).

Learning objectives.

ZK 1. Ability to adapt and act in a new situation.

ZK 2. The ability to identify, pose and solve problems.

ZK 3. Ability to motivate people and move towards a common goal.

ZK 4. Ability to communicate with representatives of other professional groups at different levels (with experts from other fields of knowledge/types of economic activity).

SK 1. Ability to develop and implement a strategy for the development of business structures.

SK 3. Ability to effectively manage the activities of economic entities in the field of entrepreneurship.

SK 4. Ability to solve problematic issues and make management decisions in professional activities

SK 5. The ability to initiate and implement innovative projects in entrepreneurial activity.

Learning outcomes (competencies).

GC 1. The ability to adapt and act in a new situation.

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SC 1. The ability to develop and implement a strategy for the development of business structures.

SC 3. The ability to effectively manage the activities of economic entities in the field of entrepreneurship.

SC 4. The ability to solve problems and make management decisions in professional activities

SC 5. The ability to initiate and implement innovative projects in business.

Students will be able to produce new ideas for the development of business structures and implement them; to use English to ensure effective professional activity in business structures; to identify, analyze business problems and develop measures to address them; to use effective business communications to support the interaction of the enterprise with its internal and external environment; to define and implement strategic plans for the development of business entities in the field of entrepreneurship and to implement innovative projects in order to create conditions for the effective functioning and development of business structures.

## Theme 1. The Value Proposition Canvas

A value proposition is where your company's products / services offer intersects with your customer's desires. It's the magic fit between what you make and why people buy it. Your value proposition is the crunch point between business strategy and brand strategy.

The heart of Value Proposition Design is about applying Tools to the mess you Search for value propositions that customers w ant and then keeping them aligned with what customers want in Post-search.

Value Proposition shows you how to use the Value Proposition Canvas to Design and Test great value propositions in an iterative search for what customers want. Value proposition design is a never-ending process in which you need to Evolve your value proposition(s) constantly to keep it relevant to customers.

The Value Proposition Canvas helps you create value for your customers. A start-up entrepreneur deals with different constraints than a project leader for a new venture within an existing organization. The tools presented in this book apply to both contexts. Depending on your starting point you will execute them in a different way to leverage different strengths and overcome different obstacles.

The Value Proposition Canvas has two sides. With the Customer Profile you clarify your customer understanding. With the Value Map you describe how you intend to create value for that customer. You achieve Fit between the two when one meets the other (Fig. 1).

Customer Jobs

Jobs describe the things your customers are trying to get done in their work or in their life. A customer job could be the t asks the y are trying to perform and complete, the problems the y are trying to solve, or the needs the you are trying to satisfy. Make sure you take the customer’s perspective when investigating jobs.

Distinguish between three main types of customer jobs to be done and supporting jobs.

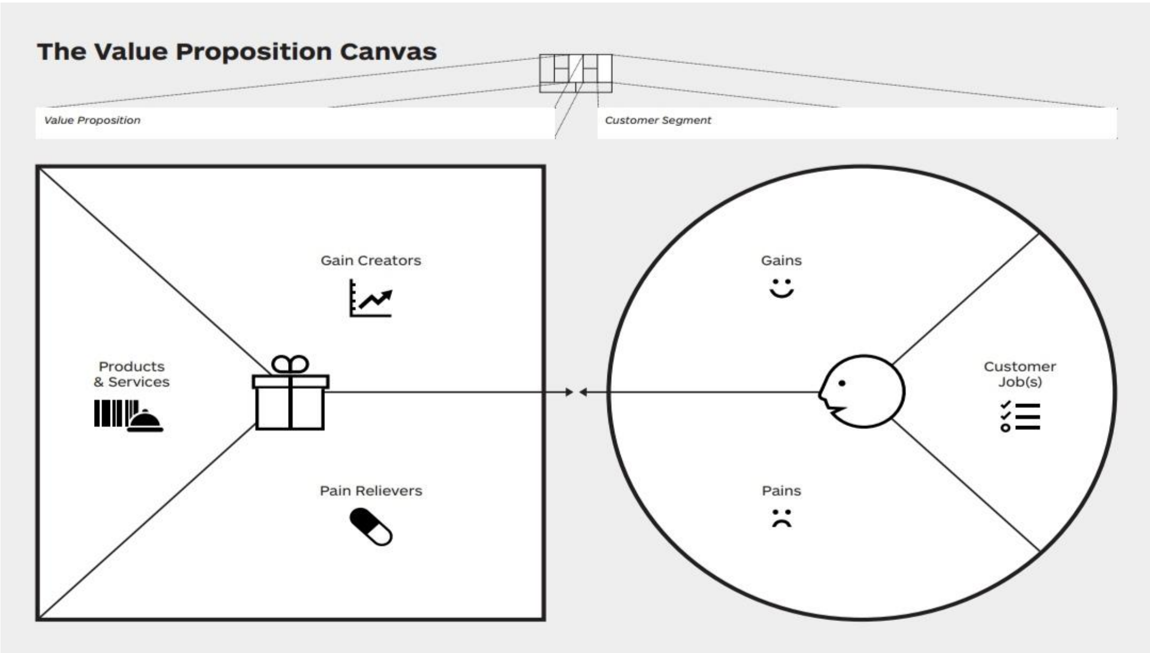



Figure 1. Value Proposition Canvas

Functional jobs. When your customers tr y to perform or complete a specific task or solve a specific problem, for example, mow the lawn, eat health y as a consumer, write a report, or help clients as a professional.

Social jobs. When your customers want to look good or gain power or status. These jobs describe how customers want to be perceived by others, for example, look trendy as a consumer or be perceived as competent as a professional.

Personal/emotional jobs. When your customers seek a specific emotional state, such as feeling good or secure, for example, seeking peace of mind regarding one's investments as a consumer or achieving the feeling of job security at one's workplace.

Supporting jobs. Customers also perform supporting jobs in the context of purchasing and consuming value either as consumers or as professionals. These jobs arise from three different roles.

BUYER OF VALUE : jobs related to buying value, such as comparing offers, deciding which products to buy, standing in a checkout line, completing a purchase, or taking delivery of a product or service.

CO CREATOR OF VALUE: jobs related to cocreating value with your organization, such as posting product reviews and feedback or even participating in the design of a product or service.

TRANSFERRER OF VALUE : jobs related to the end of a value proposition's life c y c le, such as canceling a subscription, disposing of a product, transferring it to others, or reselling it. Job context

Customer jobs often depend on the specific context in which they are performed.

The context may impose certain constraints or limitations. For example, calling somebody on the fly is different when you are traveling on a train than when you are driving a car. Likewise, going to the movies with your kids is different than going with your partner.

Customer Pains.

Pains describe anything that annoys your customers before, during, and after trying to get a job done or simply prevents them from getting a job done. Pains also describe risks, that is, potential bad outcomes, related to getting a job done badly or not at all. Seek to identify three types of customer pains and how severe customers find them:

Undesired outcomes, problems, and characteristics. Pains are functional (e.g., a solution doesn't work, doesn't work well, or has negative side effects), social ("I look bad doing this"), emotional ("I feel bad ever y time I do this"), or ancillary ("It's annoying to go to the store for this"). This may also involve undesired characteristics customers don't like (e.g., "Running at the gym is boring," or "This design is ugly").

Obstacles . These are things that prevent customers from even getting started with a job or that slow them down (e.g., "I lack the time to do get this job done accurately," or e.g. "I can't afford any of the existing solutions").

Risks (undesired potential outcomes) What could go wrong and have import ant negative consequences (e.g., "I might lose credibility when using this type of solution," or e.g. "A security breach would be disastrous for us").

Customer gains

Gains describe the outcomes and benefits your customers want. Some gains are required, expected, or desired by customers, and some would surprise them. Gains include functional utility, social gains, positive emotions, and cost savings.

Seek to identify four types of customer gains in terms of outcomes and benefits:

**Required gains**

These are gains without which a solution wouldn't work. For example, the most basic expectation that we have from a smartphone is that we can make a call with it.

**Expected gains**

These are relatively basic gains that we expect from a solution, even if it could work without them. For example, since Apple launched the iPhone, we expect phones to be well-designed and look good.

**Desired gains**

These are gains that go beyond what we expect from a solution but would love to have if we could. These are usually gains that customers would come up with if you asked them. For example, we desire smartphones to be seamlessly integrated with our other devices.

**Unexpected gains**

These are gains that go beyond customer expectations and desires. They wouldn't even come up with them if you asked them. Before Apple brought touch screens and the App Store to the mainstream, nobody really thought of them as part of a phone.

The Value Proposition Canvas zooms into the details of two of the building b locks of the Business Model Canvas

**Products and Services**

This is simply a list of what you offer. Think of it as all the items your customers can see in your shop window – metaphorically speaking. It's an enumeration of all the products and services your value proposition builds on. This bundle of products and services helps your customers complete either functional, social, or emotional jobs or helps them satisfy basic needs. It is crucial to acknowledge that products and services don't create value alone only in relationship to a specific customer segment and their jobs, pains, and gains.

Your list of products and services may also include supporting ones that help your customers perform the roles of buyer (those that help customers compare offers, decide, and buy), co-creator (those that help customers co-design value propositions), and transferrer (those that help customers dispose of a product).

Your value proposition is likely to be composed of various types of products and services:

**Physical/tangible.** Goods, such as manufactured products.

**Intangible.** Products such as copyrights or services such as after-sales assistance.

**Digital.** Products such as music downloads or services such as online recommendations.

**Financial.** Products such as investment funds and insurances or services such as the financing of a purchase.

**Pain Relievers**

Pain relievers describe how exactly your products and services alleviate specific customer pains. They explicitly outline how you intend to eliminate or reduce some of the things that annoy your customers before, during, or after they are trying to complete a job or that prevent them from doing so. Great value propositions focus on pains that matter to customers, in particular extreme pains. You don’t need to come up with a pain reliever for every pain you’ve identified in the customer profile – no value proposition can do this. Great value propositions often focus only on few pains that they alleviate extremely well.

The following list of trigger questions can help you think of different ways your products and services may help your customers alleviate pains.

**Gain Creators**

Gain Creators describe how your products and services create customer gains. They explicitly outline how you intend to produce outcomes and benefits that your customer expects, desires, or would be surprised by, including functional utility, social gains, positive emotions, and cost savings. As with pain relievers, gain creators don’t need to address every gain identified in the customer profile. Focus on those that are relevant to customers and where your products and services can make a difference.

## Theme 2 Business Model: the Essence, Elements and Types

The origins of the expression business model can be traced back to the writings of Peter Drucker, but the notion has gained prominence only in the last decade. While business model has been part of the business jargon for a long time, Markides points out that there is no widely accepted definition.

Magretta defines business models as “stories that explain how enterprises work.” This author goes back to Peter Drucker and defines “a good business model” as the one that provides answers to the following two questions: Who is the customer and what does the costumer value? The common thread across all of these approximations to the notion of business model is captured well by Baden-Fuller, MacMillan, Demil, and Lecocq when they define business model as “the logic of the firm, the way it operates and how it creates value for its stakeholders.” We adopt their definition.

We believe a business model can best be described through nine basic building blocks that show the logic of how a company intends to make money. The nine blocks cover the four main areas of a business: customers, infrastructure, and financial viability. The business model is like a blueprint for a strategy to be implemented through organizational structures, processes, and systems.

Canvas is a powerful visualization tool and clearly shows all the components and their interconnections (Fig. 2).

**Customer Segments** are the groups of people and/or organizations a company or organization aims to reach and create value for with a dedicated Value Proposition.

**Value Propositions** are based on a bundle of products and services that create value for a Customer Segment.

**Channels** describe how a Value Proposition is communicated and delivered to a Customer Segment through communication, distribution, and sales Channels.

**Customer Relationships** outline what type of relationship is established and maintained with each Customer Segment, and they explain how customers are acquired and retained.

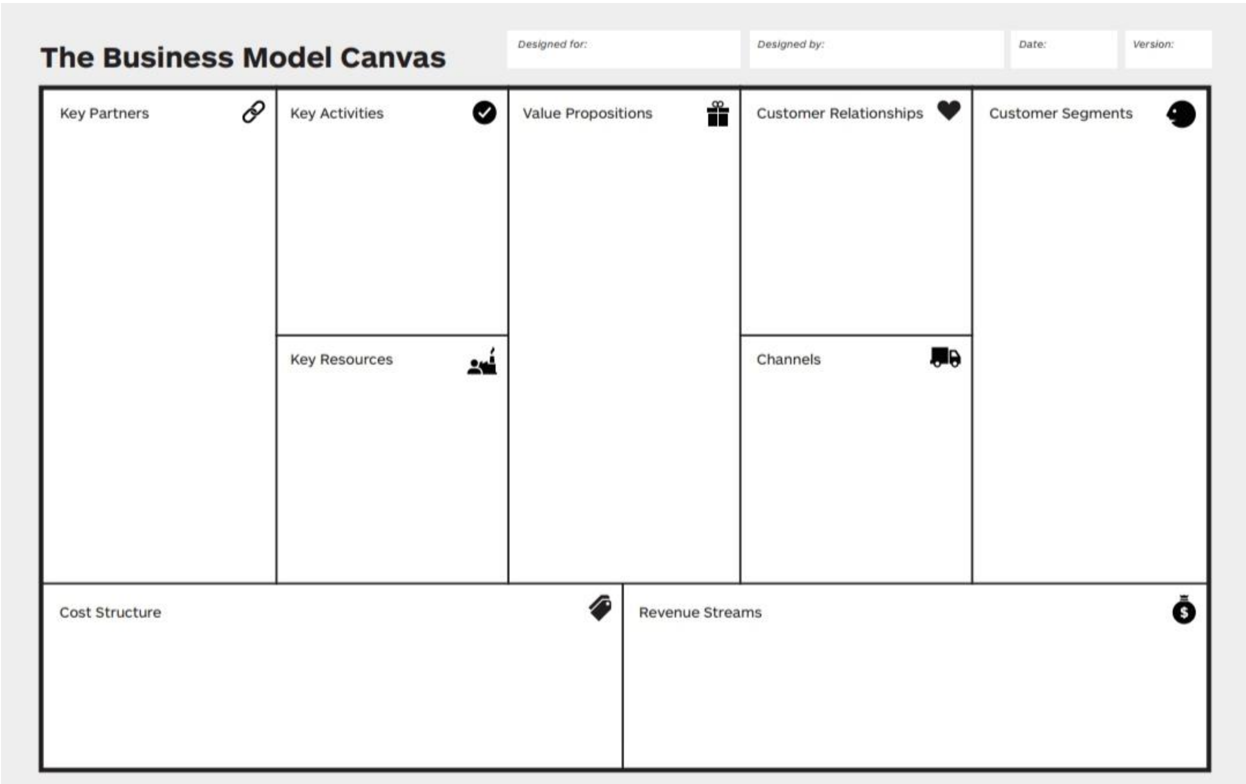



Figure 2.1 The Business Model Canvas

**Revenue Streams** result from a Value Proposition successfully offered to a Customer Segment. It is how an organization captures value with a price that customers are willing to pay.

A component revenue stream describes cash flows. Among the most used, authors include the sale of goods and services. Rental and leasing generate income from the providing exclusive rights to use certain assets. Licensing generates money from giving customers permission to use protected intellectual property in exchange for licensing fees. Brokers earn from each deal. Advertising generates revenue from providing medial areas. Key resources include tangible resources (production facilities, buildings, vehicles, and equipment) and intellectual resources (brand, knowledge, patents, copyrights, partnerships, customer databases and human resources - staff and managers).

**Key Resources** are the most important assets required to offer and deliver the previously described elements.

**Key Activities** are the most important activities an organization needs to perform well. It can be production, delivery of product, designing, marketing, selling. Key activities describe the most important activities involved in value creating

**Key Partnerships** shows the network of suppliers and partners that bring in external resources and activities.

A component key partner describes the most important companies, authority or people cooperating with the company. Optimization and economies of scale lead to partnerships that serve for cost reducing. Sharing of know-how, finance or technology motivates companies to join the activities in a partnership. An example is the Blue-ray technology, which was developed by a group of the world's leading manufacturers of electronic, and after research and development they started to sell their Blue-ray products individually.

Acquisition of resources and activities also encourages companies to search for partners, because companies do not own all the necessary resources or do not execute all the necessary activities for their business. For example, insurance companies have brokers who sale products and insurance company can deal with the core business.

**Cost Structure** describes all costs incurred to operate a business model. Costs represent a monetary award of production.

**Profit** is calculated by subtracting the total of all costs in the Cost Structure from the total of all Revenue Streams.

## Theme 3. Managing Human Resources

To begin with, the new challenges such as global competition, dynamic changes of the environment, knowledge-driven economy, and technological progress lead managers to find innovative strategies to organization development. To be effective in the modern competitive market, all factors of production (land, labour, capital, entrepreneur skills) should be managed in a progressive way. Furthermore, the great emphasis should be put on human resources, as the most challenging and efficient recourse. Unfortunately, just a few organizations consider the human capital as being their main asset, capable of gaining the competitive advantage and leading the organization to success. A current system of human resources management should be based on a statement that people are the main enterprise’s economical resource. They are, of course, a source of profit, competitiveness and future growing. In our opinion, the issue to be focused on is employee motivation. Undoubtedly, it is one of the most crucial problems nowadays.

We use the definition of human capital, provided by OECD (2001) – as knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic wellbeing.

Thus, the company works to provide satisfying jobs, a positive work environment, appropriate work schedules, and fair compensation and benefits. These activities are part of Starbucks’s strategy to deploy human resources in order to gain competitive advantage. The process is called human resource management (HRM), which consists of all actions that an organization takes to attract, develop, and retain quality employees. Each of these activities is complex. Attracting talented employees involves the recruitment of qualified candidates and the selection of those who best fit the organization's needs. Development encompasses both new-employee orientation and the training and development of current workers. Retaining good employees means motivating them to excel, appraising their performance, compensating them appropriately, and doing what's possible to keep them.

Human resource managers engage in strategic human resource planning – the process of developing a plan for satisfying the organization's human resource needs. The HR manager forecasts future hiring needs and begins the recruiting process to fill those needs. In recruiting and hiring, managers must comply with antidiscrimination laws enforced by the Equal Employment Opportunity Commission (EEOC). They cannot treat people unfairly on the basis of a characteristic unrelated to ability, such as race, colour, religion, sex, national origin, age, or disability. HR managers also oversee employee training, from the first orientation to continuing on- or off-the-job training. Attracting a diverse workforce goes beyond legal compliance and ethical commitments, because a diverse group of employees can offer perspectives that may be valuable in generating ideas, solving problems, and connecting with an ethnically diverse customer base.

Considering human capital investments, the matters we pay attention to are education and professional training. According to The Human Capital Report provided by the World Economic Forum (2013) Ukraine takes the 63rd place among 122 countries in for the Human Capital Index 2013. Switzerland (1st), Finland (2nd) and Singapore (3rd) top the ranking. The Index measures the countries by their ability to develop and deploy healthy, educated and able workers through 4 pillars, by which Ukraine ranks 45th (Education pillar), 55th (Health & Wellness), 67th (Workforce & Employment) and 96th (Enabling Environment).

The results show there is a lag between workforce quality and the demands of Ukrainian economy. It is likely that the significance of human capital investments is being underestimated as a factor of competitive workforce preparation in Ukraine. We imply that possible problems that hinder human capital investments in our country are:

1) organizational drawbacks between employers and employees;

2) the lack of information on the effectiveness of human capital investment;

3) difficulties in identifying all the expenditures treated as human capital investment;

4) the link between investment in personnel and efficiency growth is not always obvious;

5) long payback period for human capital investments;

6) high risk rate of investments in people;

7) small experience in personnel investments;

8) uncertainty in returns on investment in human capital;

9) incertitude in employees' loyalty after investment programme completion;

10) difficulties in assessing the impact of investment in human capital on organization

performance;

11) complications in referring gained results to the relevant investments;

12) different resource limitations (time, finance and expertise).

Thus, to increase human capital investments at domestic enterprises and in organizations we need to consider all the above mentioned issues.

## Theme 4. Employee Motivation: Methods and Techniques

A large number of studies discovered the effect of motivation on the productivity of workers, and on the overall business performance. It is important to understand the role of foreign experience of the employee motivation in order to implement the best practices on the national enterprises. Let us now consider some of the classical motivational theories. According to Maslow's theory there are two types of needs: lower level and higher level needs . Lower level needs can be satisfied externally and higher level can be satisfied internally. When lower level needs are satisfied in the hierarchy, individual strive for the next level. We can say that when physiological, safety and social needs are satisfied, the individual strives for self-esteem and selfactualization. In addition, Hertzberg states that there are two factors of motivation such as Satisfiers (or motivators) and Dissatisfies (or hygiene). According to Herzberg, satisfiers or motivators are intrinsic motivational factors which are related to job itself and internal to individual such as, recognition, development and responsibility. It also corresponds to Maslow's motivation or need hierarchy theory where self-esteem is an upper level need. Dissatisfactions or hygiene are extrinsic motivational factors which remove dissatisfaction such as salary, working condition and relationship with colleagues. The Herzberg theory constitutes the same framework in support of the argument of reward and recognition and its effect on employee's job satisfaction as constituted by Maslow's hierarchy theory. The motivating factors reflect self-esteem which is actually recognition. Hygiene factor reflects the lower level needs like physiological. For example, Vroom's theory explains that individuals make choices on the basis of their expectations. This expectation is based on the fact that certain reward may be the result. It means that in an organization people will be motivated for a work which will bring some gratification or a desired result to the employee. What is more, numerous studies have proved that rewarding employees is one of the best ways to keep the workforce motivated. It has been found that connection between rewards, recognition and motivation of employee are strategically significant to the success of an organization. For example, the study by Sobia Shujaat confirms that motivation, thus, is a factor that exerts a driving force on our actions and work. We follow the Rafia Alam that proposes both monetary and non-monetary methods to attract people to join an organization and keep them motivated to perform up to high levels. Some scholars suggest that people appreciate social systems, so the sociability aspect of effective organizations cannot be neglected. Khan's statement that a motivated employee has his goals aligned with those of the organization and leads his efforts in that direction is worth considering.

Hence, the organization is more successful, if its employees are always in search of new ways to improve their work. Getting the employees to reach their full potential can be achieved by motivating them. Thus, the ways to enhance employee motivation require special attention.

There are many options to influence the motivation of the individual. It is clear that ways ensuring effective impact on the motivation of work are not sustainable. Moreover, the same factor works differently for different people and could increase productivity of a specific person and reduce all the motivational guidelines for another. Therefore, it only confirms the necessity and the importance of studying the needs of the individual, his attitudes, desires and priorities for the development of effective motivation system.

Taking into account Maslow's motivation hierarchy it is obvious that employers would benefit by having a noncash reward system in place when they already have an appropriate cash bonus system. However, in the current economic situation in our country all the intangible motivation methods would appear to be useless, because of the insufficient monetary compensation system. Thus, to benefit from noncash reward system, it is obligatory to provide proper salary level in Ukraine.

It is likely that goal setting processes have a significant effect on personnel motivation. We can draw the tentative conclusion that setting objectives incorrectly usually causes problems and demotivate employees. Besides the generally accepted rules of goal setting (specific, measurable, achievable, relevant, time-bound) it is necessary to zoom in on the communication among the targets, the efforts and the rewards.

Definitely, an effective motivational system includes an obvious relationship among employee's everyday objectives, firm's goals, and the way the personnel is rewarded. What is more, if any kind of ambiguity arises in this communication then it will decrease or eliminate the effect of motivation. It is certain that high level of employee satisfaction enhances their performance and decreases the staff turnover which in turn reduces the cost of recruiting, selection and training.

The analysis has shown significant gap in the time that organizations have implemented a motivation technique and the increase in the organizational performance. There are some factors to explain it. The first problem is that the correlation between the personnel stimulation and the productivity growth is difficult to identify, observe and estimate. Secondly, very few organizations have well established and specialized expertise in the area of employee motivation.

Furthermore, the variety of stimulation methods, their combinations and multiform effects on different people leads to the lack of understanding the precise benefits. Taken together, all the above mentioned characteristics determine that the implementation of effective motivation system requires fundamental changes in the everyday patterns and procedures of the organization that make it very difficult to undertake in an effective manner, and significantly.

It is obvious that financial reward is the key motivator for the employees. At the same time, only monetary methods do not enhance productivity over a long period and money does not improve performance significantly. Fortunately, there are other non-financial factors that have a positive influence on motivation, such as rewards, social recognition and performance feedbacks.

In sum the main problems reducing the effectiveness of the enterprise motivation system are:1) neglecting the influence of non-cash motivation methods or using them with no monetary basis; 2) difficulties in diversifying motivational techniques among different groups of personnel; 3) the link between motivational action and organization performance is not always clear; 4) ambiguous goals and instructions; 5) uncertainty in the employee reaction on the motivation technique; 6) incertitude in employees' loyalty and engagement; 7) difficulties in assessment the impact of motivation on the organization performance.

Among specialists in this field, a considerable range of different opinions exists regarding monetary and non-monetary methods of motivation. Recognition is considered to be the most common and powerful tool that is used in organizations to enhance employee engagement. Employees value the recognition as the attention they receive. Even a compliment such as a simple «thank you» is a very powerful tool in motivating employees; or else it can be something more formal, such as an «employee of the month» award.

A group of scholars from Pakistan demonstrated that intangible rewards had a significant and positive impact on employee commitment within organizations in textile sector of Pakistan.

Ann Dzuranin and Nathan Stuart in their article entitled the Effect of Tangible and Intangible Noncash Rewards on Performance and Satisfaction in a Production Setting, described the research they had conducted in this sphere. The results of their study showed that the participants who received a cash bonus and an intangible non-cash reward had the best performance, and the lowest-performing participants were those who had received only a cash bonus.

Alicia A. Grandey et al investigated the relationship between the satisfaction obtained while performing “emotional labour” (maintaining a positive attitude to customers while involved with the job) and financial rewards. It was found that that financial rewards for service performance were more likely to enhance job satisfaction from emotional labour than to undermine it.

Thus, we have chosen to classify methods of personnel motivation in terms of two main groups, monetary and non-monetary. Monetary motivating patterns are classed as being either direct or indirect. We have referred to tangible and intangible compensation, and to intrinsic and extrinsic motivational factors, but it is more difficult to devise a concise definition for this additional category that we have examined, which involves improving performance not because of some benefits that may be obtained, but rather in order to avoid some unpleasant results that could eventuate if performance is not improved. For lack of a better term, we are going to refer to these factors as “adverse consequence avoidance” factors (receiving sharp criticism from a boss, fear of being discharged and experiencing disapproval in public).

The main point with any kind of motivating factor is to provide a clear link between the stimulus and the desired result; the reward for some specific action should happen very shortly after the act has occurred.

This is particularly pertinent in connection with intangible motivation, because it is possible to provide an employee with a reward immediately after the event. In such cases the employee clearly understands what it is that is furnishing the motivation, and is likely to increase productivity accordingly. With intangible tools no time is lost in planning and adjusting the overall payroll calculations. Besides that, financial rewards are often just paid as part of an employee’s salary, which means that the reward to some extent disappears into the employee’s monthly salary payment.

According to the results of the Merit Principles Survey conducted by the United States of America Merit Systems Protection Board (2005), it was determined that the most important element motivating both employees and their employers were job satisfaction and personal satisfaction.

The main problem with all the methods of intangible motivation is that they are very difficult to identify and even more challenging to measure. When considering the evaluation of the effect of different stimuli we need to devise a yardstick for measuring the value of the «resource» we contribute and the value of the result. Thus, it is important to determine the indicators that represent the target we want to attain. The main problem with Ukrainian managers is that they use modern methods of employee motivation which they copy from abroad, wanting to appear up to date. They report about the utilization of all these trendy things, but not about the results they gained by using them. A lot of entrepreneurs talk about job enlargement, job engagement and satisfaction, and even try to implement some parts of it.

It was once thought that only positive incentives were the only ones that would likely be effective in increasing employee motivation. We feel very strongly that some negative factors can also enhance motivation and productivity. For example, when the general economic situation is difficult, workers are concerned that they are apt to be dismissed because of an overall reduction of staff. This fear of being discharged can cause individuals to work much harder than usual. A similar reaction may occur if the manager expresses sharp disapproval of an employee’s actions, conduct, or attitude. Receiving this type of a criticism from the boss may induce workers to improve their performance, and to do their utmost to provide a more satisfactory service.

The basic salary is thus a significant factor in increasing employee motivation. Firstly, it fulfils basic human needs. Secondly, it serves as an indicator of the prestige of one’s profession and of one’s position in a company. Thirdly, it serves as a background for other motivational tools. It is evident that all nonmonetary motivation practices appear to lose their effectiveness unless they are accompanied by appropriate financial compensation. In other words, when employees are satisfied with their salary they are much more receptive to other stimulation methods such as recognition, flexible hours, and autonomy. Unfortunately, in Ukraine’s current unfavourable business environment, many intangible motivation practices are used as a substitute for monetary ones, mainly because of a lack of financial resources. Bonuses and profit-sharing plans constitute second-stage motivation techniques. They reward the efforts and results of individual employees.

There is a strong possibility that monetary rewards increase employee motivation and encourage compliance with instructions received from their superiors. We are of the opinion that employees view basic salary and bonuses as a reward, and believe that they must compensate for that by improving their work.

However, factors connected with pay and bonuses cannot accomplish the objectives of stimulating creativity and innovation, or of developing foresight and the ability to make effective decisions in difficult situations, which in the long run are extremely important.

It is important to consider the significant differences in the way that motivating factors were evaluated by different groups of employees. These factors have been listed in order of their relevance to the influence, starting with the most significant.

With respect to top-level managers, the recommended motivation factors are, respectively: participation in decision-making, recognition, public appreciation, basic pay, bonuses, competitive spirit, autonomy, flexible hours, profit sharing options, public disapproval, and on/off the job training.

For middle-level managers the recommended motivation incentives are: bonuses, recognition, profit sharing, autonomy, competitive spirit, basic pay, challenging work, flexible hours, participation in decision making, job satisfaction and the availability of free cell phones.

The performance of low-level managers will show the greatest benefit from bonuses, recognition, job satisfaction, basic pay, autonomy, competitive spirit, flexible hours, on/off the job training, a profitsharing system, gym membership, challenging work, sharp criticism from the boss and a life insurance package.

For professional staff, we advise to use basic pay, bonuses, recognition, job satisfaction, public disapproval, additional day off with no questions, free cell phone, life insurance and competitive spirit.

For support staff, we recommend such motivation incentives as basic pay, health care benefits, free lunches, flexible hours, recognition and bonuses.

Using non-monetary approaches to reinforce the monetary ones without trying to use them as a substitute will enable the organization to develop and fulfil the potential of its personnel, and to improve long-term employee performance.

## Theme 5. Effective Marketing Techniques

New information and communication technologies are becoming more and more important in the life of individuals today. E-commerce continues to expand in Europe and today as many as 270 million Europeans say that they regularly shop online. In parallel with consumers’ growing online shopping habits, another trend is emerging and becoming clearer year by year: more and more people are buying from outside the borders of their own country.

Nowadays people of all ages and nationalities are spending more and more time online. They are not just reading news, but are using online shopping, online banking, web communities, social networks, chats and a lot of other things that the web makes possible.

Clearly, it would be difficult to neglect the dynamic changes in the way companies promote their brands. The traditional marketing approaches are giving way to modern e-marketing techniques. An initial point to underline in connection with these tendencies is that business which does not give some attention to e-marketing promotion could very easily loose its place on the market. This explains the hyper attention to the e-marketing nowadays and as a result the necessity of studying this question.

E-marketing – often called Internet marketing or online marketing – is essentially any marketing activity that is conducted online through digital, networked environment such as the Internet. E- Marketing is a mixture of all the activities of advertising, promotion publicity deciding the look and feel of the product, how it will be sold and sent to the customer.

The network marketing is that we can use Internet making continuously services in the every step of products pre-selling, products selling and products after-selling. It runs in the whole process of business operations and includes the search for new customers, service for old customers.

These technologies include the Internet media and other digital media such as wireless mobile media, cable and satellite. The service quality is defined as the ability of the organization to meet or exceed customer expectations. Internet marketing will include the use of a company web site in conjunction with online promotional techniques such as search engines, banner advertising, direct e-mail and links or services from other web sites.

Scholars distinguish several e-marketing methods (sometimes called types) such as search engine market (SEM), online PR, e-mail marketing, banner advertisement, viral market, and blog market. We feel very strongly that social media marketing should be distinguished as a separate type of brand promotion.

Now we consider benefits and risks of e-marketing. The main strengths of online marketing system are high quality customer service, greater reach, time saving customer loyalty, easy access to information, 24 hours access and personal contact with the customer.

Considering the risks, we must admit that e-marketing requires considerable time investment to get the results and it takes a long time to generate meaningful interactions. Because customers and critics can engage with the brand openly, companies no longer have full control over the marketing message of the product or service. At the same time, it is clear that a single e-marketing tool is not as effective as accurately planed e-marketing campaign. Whereas traditional marketing is about carrying the brand message to the customer, e-marketing implies a communication between the company and the consumer. Unlike most of traditional marketing, where an advert or promotion will expire after a certain amount of time, internet marketing is all about long-term, ongoing projects. Online brand promotion requires more planning and will remain active much longer than a traditional marketing campaign. At the same time, internet marketing also includes one-off projects like online adverts and promotional content. This means that internet marketing requires a unique and distinct approach, that improves the overall business performance.

We would like to mention some important conditions in the e-marketing model such as strong communication network with high reliability, high level of technical knowledge, professional management, customer relationship management, proper responsiveness and high security level that affect the efficiency of electronic marketing.

It is evident that every company should identify and choose the e-marketing tools that will most effectively use an organization's scarce resources to achieve critical marketing objectives. The use of e-marketing methods in business such as promotion and advertising of products, services and capabilities through Internet, communication with customers and other innovative techniques improve market share and build positive view and awareness of the brand in the market.

In conclusion, it is clear that the Internet is playing a more and more important role in the field of marketing. Thus, it is not only useful to use all the advantages of e-marketing in brand promotion, but what is more to accelerate its development, to promote innovation of online marketing model, to promote improving of e-marketing methods and techniques, and at last, ultimately to promote the new business achievements coming quickly.

It is generally agreed that advertising plays a crucial role in today's competitive marketing world. Thus, strategies for a successful advertising business campaign are an important factor for every company and business.

Advertising performs the communicative function of informing consumers about a company's product or services, of attracting people to the market and of persuading them to buy or continue buying the product. Clearly, companies involved in the commercial production of goods and services need advertising in order to publicize and promote their products to the customers all over the world thereby helping to improve sales.

What is more advertising also helps consumers to be more specific during shopping; consumers can make their choice before going shopping, they become aware of new businesses and new products and brands. There are several objectives of advertising that has been classified by Kotler and Keller, whether they aim to inform, to persuade, to remind, or to reinforce. Advertising can be made through newspapers, television, direct mail, radio, magazines, outdoor, yellow pages, newsletters, brochures, telephone and Internet.

In the current age of globalization, electronic marketing technologies are the most influential factors that shape consumer's tastes, choices and life in general.

The concept of advertising effectiveness contains such different ideas as economic benefits, psychological and social effect expressed in a certain impact on the society in whole (in particular, the influence on the formation of taste preferences of people, their views and ideas about different moral and material values).

However, recent researchers show that only about half of all commercial advertisements actually work; that is, have any positive effects on consumers' purchasing behaviour or brand choice. Thus, this thesis seeks to understand how different factors influence the effectiveness of advertising and what are the technologies that maximize advertising effectiveness.

An advertisement is considered effective when the audience of an advertisement receives the message conveyed and forms positive opinions toward the advertisement or the brand, or even changes their attitude toward the advertiser, and ultimately buys the products featured.

Advertisers may assess the effectiveness of an advertisement through metrics such as advertisement awareness, advertisement attitude, brand awareness, brand attitude, and purchase willingness.

Undoubtedly, one of the key elements of effective advertising is market research. Knowing about the target audience and understanding their needs help the marketing teams to set their sales goal in a more organized manner.

Different types of advertising techniques are used to maximize the advertising effectiveness.

Marketers are trying to discover all the hidden factors of human nature, which might be helpful in attracting attention and integrating the psychological revelations in their advertising campaigns.

Some of the most effective advertising techniques are listed below.

1. Using celebrities as spokespeople (endorsement). Studies show that if a celebrity appears in the advertisement it makes 28 consumers perceive the product as more authentic and trustworthy.
2. Rising personally meaningful problems and depicting some values that are beyond the product or service. These are the shortcuts created in the brain based on association between positive feeling and physical object to make the most favorable decision.
3. Offering unique things like better price, free delivery or something particular.
4. Using creative funny stories to show the main advantages of the product or service.
5. Showing how the product or service fits the everyday life of a consumer.
6. Providing advertising's content that capture the viewer's attention in the first five to seven seconds because that is where the risk of losing the consumer is highest.
7. Playing on human's fears. The most powerful persuader in this case is to show the feared self and tell the consumer that this is what they will become if they don't use the advertised product.
8. Using sentiments particularly in the case of food articles.

Clearly, it would be difficult to overestimate the significance of advertising for the business development. In conclusion, effective advertising of goods and services allows one not only to solve problems with marketing, but also constantly increase sales volume and maximizes a company's profits. Beside the traditional ways to advertise products, marketers today have a handful of techniques and small tricks to make people buy more.

## Theme 6. Strategic Analysis: Meaning, Use, Types and Methods

A strategic analysis for a business is one of the most basic and useful tools for strategic business planning.

With the increasing complexity, volatility, uncertainty, and pace of change and competition in today's global marketplace, the need for strategic analysis and execution has never been greater.

In today's environment, strategic thinking and strategic analysis are skills that enable management accounting professionals to create greater financial value within their organizations.

Strategic analysis should be anchored to the organization's mission, vision, and core values. Thus, it is imperative that the organization identify the right mission and core values

### Methods of strategic analysis of internal environment of the enterprise

1. The method 'tree of aims' is a graphic chart that demonstrates change of general aims into sub-aims. The top of chart is interpreted as aims, ribs or arches, as a copula between the aims. The method 'tree of aims' is the main universal method of system analysis. The 'tree of aims' comes forward as systematization of hierarchy of aims that represents their collateral subordination and interconditionality.

2. LOTS method LOTS method includes a detailed, sequential discussion of a number of business issues at different levels and varying degrees of complexity: from the corporate mission of the enterprise as a whole to the individual project in its middle.

Discussion includes nine stages and refers to the existing state, strategy, long-term goals, short-term objectives, methods and objects of analysis, human resources, development plans, organization of management, reporting.

3. MOST model MOST model clarifies to the hierarchy between the mission, strategies and objectives. According to this model, the position of a business entity is described with undefined criteria, which may include sales volume, profit margins or payment of dividends, a number of employees.

**Methods of strategic analysis of external environment of the enterprise**

1. The Ansoff Growth matrix The Ansoff Growth matrix is another marketing planning tool that helps a business determine its product and market growth strategy. Ansoff's product/ market growth matrix suggests that a business' attempts to grow depending on whether it markets new or existing products in new or existing markets. The output from the Ansoff product/ market matrix is a series of suggested growth strategies which set the direction for the business strategy. These are described below: market penetration, market development, product development, diversification.

2. Cooper portfolio matrix Cooper portfolio matrix defines the criteria for selection of the enterprise strategy: – The attractiveness of industry, which, in turn, is determined by the market attractiveness and technological level. – "Business Force" that is also determined by market advantages of commodity and synergistic effect of the enterprise in technology of production and marketing.

3. Model of 5 competitive forces by Porter To identify the contribution of the enterprise at the market and the level of profits Porter identified five competitive forces: new competitors who get into the industry and produce similar goods, existing competitors in the industry; the threat from the side of substitute products (substitutes), the impact of buyers' strength; influence of suppliers. Porter identified three main strategies that are universal and can be applied to the above competitive forces: – Leadership strategy. It directs the company to manufacture big quantities of goods at the large market. – Strategy of product differentiation is used when the enterprise enters a deep market with a unique product. – Focus strategy focuses on one segment of the market or on the limited geographic market sector.

4. The BCG Strategic Portfolio Model It is a method of approaching and analyzing business marketing and growth developed by the Boston Consulting Group. The primary guiding principle of the BCG group's strategy is that experience in a market share leads to reduced costs and higher profits. This model uses the BCG marketing matrix, a system to classify business enterprises based on their potential for profits and growth. The model also applies mathematical formulas to business enterprises or products to calculate potential growth and earnings. The BCG growth matrix part of the model classifies each product as a "cash cow", "problem child", "star" or "dog". "Cash cows" represent product lines that bring in a high income at low cost to the company, leaving plenty of money to put to other uses. "Star" product lines may bring in some profits but require more investment to maintain their market share. These are products with the potential to become future "cash cows" if the company invests in them wisely. "Problem children" do not generate cash flow and require more investment but still have potential to grow. These are the products to watch, as they can eventually become either "stars" and then "cash cows" or "dogs". "Dog" products may generate some income or loss but have slow-growing markets, making them poor continuing investments for a company's dollar (Hirsh, 2014).

5. New BCG matrix New BCG matrix is used to characterize the products (services), which the enterprise provides. In this model, two factors are interacted: number of competitive advantages of products (services) and the importance of competitive advantages in general.

6. GE/ McKinsey matrix McKinsey & Company developed a nine-cell portfolio matrix as a tool for screening GE's large portfolio of strategic business units (SBU). This business screen became known as the GE/ McKinsey matrix and is shown below: The GE/ McKinsey matrix is similar to the BCG growth-share matrix in that it maps strategic business units on a grid of the industry and the SBU's position in the industry. The GE matrix, however, attempts to improve upon the BCG matrix in the following two ways: – The GE matrix generalizes the axes as "Industry Attractiveness" and 'Business Unit Strength' whereas the BCG matrix uses the market growth rate as a

proxy for industry attractiveness and relative market share as a proxy for the strength of the business unit. – The GE matrix has nine cells vs four cells in the BCG matrix.

7. Thompson and Striklend method Thompson and Striklend method foresees the choice of alternatives of corporate level depending on two parameters: rates of market growth (rapid or slow) and competitive position of enterprise (strong or weak). Possible strategic alternatives in the fields of the matrix are placed in order to reduce their attractiveness. According to this model, on the X axis the competitive position of business is estimated and on the Y axis – the dynamics of market growth. There are given strategies in the four quadrants of the matrix, each of which specifies the provision of strategic business units in the two measured spaces of matrix.

8. “7S” McKinsey model “7S” McKinsey model is a way of understanding the major internal factors, influencing its present situation and future development. A conceptual diagram of this model includes seven factors for success of business entities: strategy, skills, generally accepted values (shared values), structure, system, staff, cultural identity (style).

9 ADL/ LC matrix The concept of the life cycle of the field consistently passes four stages: nucleation, growth (or development), maturity, aging (decline). The main theoretical provision of ADL/ LC model is that a separate kind of business and any business entity may be located on one of these life cycle, and therefore it is necessary to analyze it within that stage.

10 Hofer/ Schendel model Hofer/ Schendel model is concentrated on the positioning of existing businesses in the matrix of the goods development and determination of ideal set development. It should be noted that there are only two optimal sets of business: buying a new or sale of the old type of business, however, the situation of each business is determined according to the degree of market development and its performance according to competitors.

11. PEST analysis PEST analysis (STEP, SLEPTE, STEEPLD-analysis) is a description of factors of four groups: social, technological, economic and political. Some authors often add: ecology (E), legislation (L), demographics (D) to the above mentioned four factors.

**Methods of strategic analysis used in the study of external and internal environment**

1. Abell model Abell model, in fact, has corrected shortcomings of Ansoff model. The Abell model is a three-dimensional model for defining the business of the company and finding areas for growth and diversification along its axis. The company's mission is created with three strategic questions to be answered: – Who is our target customer group? – What function do we provide to the customer? – How do we provide that function (technology)? These issues come together in the Abell model. In Abell model we look at three dimensions: – Market Group Dimension. Whom are we serving? – Problem-Solving Dimension. In which needs will we provide? – Technology Dimension. How do we provide in the needs?

2. SWOT-analysis is one of the most famous methods of strategic analysis, which is being made in view of factors of both external and internal environment, which in turn makes it possible to evaluate existing opportunities and potential threats of the company, to develop a strategy for the further development. SWOT stands for: – Strengths (What are the positive attributes of your company, product or service?) – Weaknesses (What are the negative attributes of your company, product or service?) – Opportunities (Where are the market opportunities for your product or service?) – Threats (What are the main threats for your company?) Before starting the analysis, you need to have completed your marketing research plan and analyzed your competitive marketing strategy. Once you have identified the strengths, weaknesses, opportunities and threats, then use those to prioritize your marketing strategies and focus, by asking the above questions.

3. Shell/ DPM model Fundamental idea of Shell/ DPM model is that the overall enterprise strategy should ensure the maintenance of balance between the cash surplus and the deficit through the development of new promising businesses based on the latest scientific and technological developments that will absorb excess of money supply, which are in the maturity phase of the life cycle.

4. PIMS model PIMS model (Profit Impact of Market Strategy) – method of analyzing the impact of market strategy on profit. This model provides determination

of quantitative patterns of factors influence on outcomes of business entities (profitability, profits) arising from the analysis of empirical experience of the potential operation of a large number of industrial enterprises.

5. SPACE analysis SPACE analysis (Strategic Position and Action Evaluation); SPACE method (evaluation of strategic assessment of actions) is a comprehensive method for analysis of the position in the market and choosing the optimal strategy for medium and small enterprises. The analysis assesses the internal and external environment and allows to design an appropriate strategy. The analysis describes the external environment using two criteria: – Environmental Stability (ES) – it is influenced by the following subfactors: technological change, inflation rate, demand volatility, price range of competitive products, price elasticity of demand, pressure from the substitutes; – Industry Attractiveness (IA) – it is influenced by the following subfactors: growth potential, profit potential, financial stability, resource utilization, complexity of entering the industry, labour productivity, capacity utilization, bargaining power of manufacturers. The inside environment is also described by two criteria: – Competitive Advantage (CA) – it is influenced by the following factors: market share, product quality, product lifecycle, innovation cycle, customer loyalty, vertical integration, – Financial Strength (FS) – it is influenced by the following indicators: return on investment, liquidity, debt ratio, available versus required capital, cash flow, inventory turnover.

6. Seiners matrix Seiners matrix (model “product/ market”) includes: classification of markets and products on existing markets, new products, but they are related to existing markets. This model is used to determine the probability of success in choosing one or another type of business and for choosing between different types of businesses.

## Theme 7. Modern Leadership and Management

Individuals have many innate abilities and learned skills, which support them towards the journey of success. Leadership belongs to those skills, which make a person prosperous in various walks of life.

The leadership can also be defined as the art of managing others to accomplish a mutual task. Burk defined that leadership is the process to influence others towards the attainment of specific goal. A leader can also be perceived as a person with followers, who walk with his followers towards a destiny. Leaders create same destiny for a group of people, which can be a challenging task. The role of leader can be observed in everyday life and many leaders can exists together in multiple fields; such as political leaders, religious leaders, community leaders etc. Effective leadership skills and critical strategies can benefit organizations in improving their performance and dealing with competing business environment. Business contains several important issues that need to resolve as soon as possible. Management plays a vital role in making strategic business unit to monitor and check the effectiveness of individual products in line. That’s why, trained leaders and managers have become the need of 21st century to succeed in organizational competitions.

As it is understood that 21st century organizations and their leadership are different and they are dealing with numerous challenges in business world. Therefore, the focus is on the social skills of leaders, rather than their traits and behaviours. In the light of various theories of leadership, the trait theory of leadership emphasizes on innate attributes of an individual which help him to play the role of a leader throughout his life. Such people are also known as “born leaders”, and they possess the qualities to rule others. These leaders acquire intellectual skills, extrovert personality, exhibits openness to experience, and self-efficacy. The behavioural theory of leadership stressed upon the behaviours of leaders rather than their innate capacities. The theory believed that leadership is something, which can be learned by the environment. behavioural theories examined the behaviours of successful leaders and evaluated their strategies in certain situations, which reflected their leadership styles.

While, the contingency theory of leadership believes that leaders tend to modify their strategies according to the situational needs. The role of leader is dependent on internal and external condition of the organization. The overall structure of the 21st Century organizations seems highly different as compared to 20th century and seems more complex in the context of distant boundaries, extreme dependency on modern emerging information, IT and communication technologies. The overall way of communication of individuals has changed and this has resulted in various changes in the context of the way people relate to one another. Now, the emphasize is on how they communicate with each other, and how they bring changes in career and life skills. Essentially, to achieve successful in today’s business world, one has to possess the crucial skills and knowledge, particularly related to information literacy; media knowledge; and Information and communication patterns.

There are numerous characteristics required to become an efficient leader:

7.1.1. Capability to Provide Moral Support and Integrity: 21st century and its challenges demand strong leaders, who desire to stand behind their team in tough situations. The modern leadership does not allow the leader to stand behind and move the team, but it requires the leaders to work along with the team physically, and morally.

7.1.2. Being Present: Modern leadership skills consist of availability of leaders all the time. A leader can always be present for customers and employees, but make sure not to interfere in others’ tasks.

7.1.3. Exhibit Creative Thinking: Leadership in business needs time management and exclusive time to think creatively about the future goals and plans.

7.1.4. Extensive Knowledge and Genuine Interest in Business: 21st century appreciates the openness to gain knowledge. A leader must have the desirability to learn latest skills with the passage of time. Great leaders think beyond money at the time of putting efforts to achieve business goals.

7.1.5. Managing skills: A competitive leader possesses management skills, which allows to make a organized system and exhibits the ability to cater all the employees and addressing their concerns. Problem solving and decision-making skills also come under the umbrella of management. Modern leaders manage their personal values and empower their team. 21st century's economy and business organizations need intelligent leaders, who can make quick and effective decisions.

7.1.6. Effective Communication Skills: Communication skills are one of the key skills of leaders, which should promote their knowledge. Clarity in communication and power of negotiation should be demonstrated by their conversations, so that their team can follow them and move in an aligned direction. It shows that 21st century leadership demands a full-range model of leadership. This model is an ideal model and consists of fundamental qualities of the basic theories of leadership. The basic characteristic of leaders in this model include; individual attention to employees, intellectual effectively, motivational tendencies and the power to influence others.

Types of Leadership. A variety of leadership styles can be introduced in work environment, which impacts the culture and structure of organization.

The types of leadership are derived from its theories.

7.2.1. Laissez-Faire The leaders in this category do not bother to meet their employees regularly and do not offer supervision and feedbacks to their team. This leadership style does not meet the needs of 21st century business environment, as it creates interruptions in supervisions and modern trainings, which can affect the production, and services negatively in an organization.

7.2.2. Autocratic These leaders tend to make organizational decisions themselves, without involving others. They possess authority and give no power to employees to refuse their decisions. According to 21st century competitions, the autocratic leadership style is no more useful practically, because of its restrictions to express creativity by employees.

1.2.3. Participative This leadership style welcomes the feedbacks and suggestions of employees, and also called democratic leadership style. Due to contribution in decision making process, employees feel accomplished and confident in organizational environment. This leadership style supports the requirements of 21st century business criteria.

7.2.4. Transactional The employees are offered rewards and punishments under transactional leadership. This style is also useful in 21st century organizational environment. Employees and leaders make certain specific goals together and set a time line and plan to accomplish those goals. The manager has the right to support his team, correct their flaws and train them according to the goals.

7.2.5. Transformational Communication is the key to practice this type of leadership in an organization. Leaders communicate their goals and plans with employees in an effective way by using positive statements. Leaders and employees work together, but they divide the tasks according to their authority levels.

Challenges to 21st Century Leadership Organizational leaders have been dealing with business fluctuations and struggling through tough times since many years for numerous reasons. Some of them are mentioned below.

**Modern innovations in Technology.** Technological advancements in technology have made the organizational system easier, but, on the contrary, it is constantly demanding system updates and latest versions of devices and gadgets. As much as, the system and devices are improving their standards, the need of trainings and know how about the latest innovation is exceeding.

International policies and standardized systems are being applied due to access to latest knowledge about all over the world. In this case, leadership has to take decisions regarding skill development and trainings. Organizations expect the leaders that they will have enough knowledge about modern technologies, which becomes challenging for them. The business requires leaders, who 4 are always ready to utilize latest technological services to customers and employees and run social media efficiently.

**Application of Latest Knowledge.** All useful global practices and their implication is nearly impossible for any business sector. The challenge to understand latest leadership skills and to follow them is a biggest challenge in 21st century, because of excessive information worldwide.

In previous centuries, traditional styles of management and leadership were being used in organizations, which were losing their value as the change in global knowledge and techniques was introduced. In this century, advancement in leadership has become significant to work with the team.

**Market Competition.** Market competition has always been there for organizations and leaders. The leaders have to take accurate decision to meet markets' needs and participation in competition. Balancing the budget, and ensuring high profits can be a great challenge for leaders, which can be catered by effective planning and hardworking team. Market competitions were not considerable to great extent in earlier centuries because of less demands and limited organizations.

**Aligning the Team.** The leaders are supposed to move the team in one direction. To gain loyalty of employees and build a healthy interpersonal relationship with them is becoming much more challenging in 21st century. To bring the attention of all employees towards one mission and reduce turnover have been difficult for leaders. Current century demands that leaders need to change and manage themselves first, than they should work upon their employees.

**Collaborative Tasks.** To develop collaboration with employees and customers to sustain effective organizational environment is difficult for a leader. To manage a big work force and their management can create hindrance in attaining other tasks for leaders by paying so much attention to the internal issues of organization.

Leadership has been introduced as the vital skill to work in a team to move towards the fulfilment of targeted goal. It was found that with the emergence of latest technologies and advancements in business field, the leaders and managers are expected to behave in a different way and try to acquire knowledge about modern procedures for strengthening the organizational system. To mobilize the business in 21st century, they need to improve their communication and persuade their employees and customers against their competitors. They need to improve their interpersonal skills and become team player to stand with their team.

We have understood that delegation of authority or distribution of tasks is very much crucial in leadership skills. The encouraging behaviour of leaders and empowerment of employees can develop skills of creativity and critical thinking amongst them to deal the organizational system, and procedures more efficiently. An effective leader always welcomes employees' participation in improving organizational progress and increased participation in dealing with social problems. There is no doubt in saying that leaders and managers in the 21st century organizations must do things efficiently than the leaders of the 19th and 20th century to bring a positive change in organizational culture and effectively lead and succeed in the highly competitive global economy.

They must be leaders, advocates and entrepreneurs of the organization, who always ensure that their organizations can adapt and innovate in today's dynamic technologically-driven work environment. By applying appropriate leadership style, leaders can be helpful in achieving organizational goals and can play a significant role in minimizing above mentioned critical issues to improve organizational performance. The current era requires transformational leadership style that not only facilitates the works to work flawless and efficiently; but it allows potential worker to enhance their skills and build their career by getting training from supervisors during the job.

## Theme 8. Outsourcing in the enterprise management system

Enterprises increasingly face the necessity of changes aimed at improving the effectiveness of their functioning, ensuring their development and market success. Of special importance are here changes in the area of management which will allow enterprises to react quickly and adapt their capabilities to the challenges in their environment. The concept of outsourcing, like many other concepts in management, is a response of enterprises to changes occurring in a turbulent environment and emerging trends in management.

When examining the essence of the concept of outsourcing, it is important to establish the origin and meaning of this term. It is defined as transfer of internal areas of an enterprise's activity and decision- making powers to external entities on a contractual basis. It should be stressed however that outsourcing is not an order for services, as it results in deeper changes which allow an enterprise to focus on its fundamental activity, and involve establishment of a long-term and constant partner cooperation between the enterprises involved, where one of them undertakes to purchase from its partner products or services that were usually produced by such an enterprise by itself.

Outsourcing, by leading to improvement in the functioning of enterprises and as a long-term contracting out of performance of certain functions in the area of an enterprise's activity to external entities, allows such enterprises to focus on their fundamental activity. The subject of outsourcing is not only ancillary functions in an enterprise, but also basic and managerial functions. Implementing the concept of outsourcing, an enterprise decides to transfer a single process or some bigger part outside, assuming that this will bring significant benefits, positive effects and will be profitable mainly from the economic perspective.

Outsourcing, which has become a well-established instrument both in the theory and practice of management, assumes consistent adherence to the principle of focussing on key capabilities of an enterprise, while contracting out ancillary activity and secondary activities, which involves establishment of a long-term partnership cooperation with an external entity. The basic aim of outsourcing is to improve effectiveness and competitive position on the market, improve quality of services, pace of reaction, and to reduce operating expenses of an enterprise.

Outsourcing is a complex concept, consisting of two elements. The first one is the form of the operation by which a certain area is transferred to an external supplier, while the second one is concentrated around long-term partnership cooperation with an external entity and should be treated as a process.

Outsourcing, by leading to a change of the organisational structure, causes a reduction of the number of organisational units and posts, number of management levels and reduction of the number of employees. Such an enterprise becomes more flexible and much faster reacts to changes occurring in its environment. Currently, outsourcing involves such activities as:

1. Obtaining external productive forces
2. Contracting out performance of services to other enterprises

3. Moving part of current operations of an enterprise outside its organisational structure

4. Using external suppliers and their resources to perform tasks

5. Strategic alliance between an enterprise and a customer

6. Contract for production of specified products or provision of services by an external enterprise

Perceiving outsourcing as actions taken to adapt the size of an enterprise to its new environment limits its role to a mere tool for restructuring, ignoring its strategic importance**,** which is the result of cooperation with an outsourcing partner.

In terms of the relationship between an enterprise and its outsourcing partner, we can distinguish:

1. partners not related by shares with an enterprise, i.e. completely independent from them;

2. partners that are related by shares or otherwise with an enterprise, i.e. independent in the organisational and legal sense, but economically linked.

Depending on the type of outsourcing partners, outsourcing can be divided into: contract outsourcing and capital outsourcing. Outsourcing partners can be already existing economic entities or entities established for the purpose of performing outsourced functions, both related and independent ones. This division is important from the perspective of separating the functions, as it affects the complexity of this process, the way it is implemented and how long it takes.

In terms of the organisational and legal form of outsourcing partners, they can be natural persons with legal capacity, one-man private enterprises, general partnerships, trade companies or state-owned enterprises. In the case of associated entities, the variety of organisational and legal forms of outsourcing partners is limited, by the terms of creating capital ties, to trade companies and public limited liability companies.

**Advantages and disadvantages of outsourcing**

The main advantage of outsourcing and at the same time the main argument for it is reduction of costs, as traditionally outsourcing is used when available external resources are cheaper than internal ones.

However, the following factors are becoming increasingly important:

1. desire to provide services at the highest level;
2. work specialisation;
3. concentration on business functions;
4. access to specialist knowledge.

Outsourcing services provide access to knowledge and experience of market leaders and global database. An expert appointed to cooperate with an enterprise uses the whole knowledge gathered in a consulting company, corporate databases and advice of other experts. Hiring external experts ensures more effective use of time - an expert works only when he/she is really needed, not necessarily on a full-time employment basis. Such as solution leads to reduction of not only costs but also risk connected with employment of own specialists.

Thus, outsourcing allows an enterprise to concentrate its forces, resources and managerial processes on its fundamental objectives. An organisation achieves better results and its market value grows. A company increases flexibility of its activities, and by saving time and human resources, also efficiency.

Depending on the sphere of activity of an enterprise, outsourcing can bring the following benefits :

− lowering or reduction of costs, as reduction of employment means less money spent on salaries, social and retirement security. moreover, an enterprise does not incur costs of sick leaves, improving qualifications of its staff, and above all costs of maintaining posts - starting from lease of an office where the staff works, through depreciation of office equipment, telephone lines, and ending with energy consumption. it also means getting rid of problems connected with investment in modern financial systems and eliminating staff-related problems,

− entrusting part of the organisation of an enterprise to a group of specialists whose knowledge, skills and experience usually exceeds those of employees of an enterprise. an outsourcing company, by performing similar activities in a number of companies, is likely to employ better specialists, because it is more competitive in terms of salaries,

- greater stability of the care of the assets and organisational functions of an enterprise,
- possibility of using services of experts with big experience and professionalism whose employment would be too expensive and unreasonable,
- easy access to the latest it technologies,
- relieving managers of time-consuming administrative tasks and allowing them to concentrate on the basic activity of an enterprise,
- maintaining desired level of posts, and at the same time ensuring sufficient number of properly qualified staff,
- assistance in increasing efficiency of all organisational units of an enterprise, thanks to delegating routine and time-consuming tasks outside,
- ensuring high quality of services based on previous experience and specialisation of companies providing outsourcing services,
- significant reduction of the level of investments, as an enterprise pays only for a service, not investment in infrastructure. thus, there is no need to immediately and permanently invest capital of an enterprise into the sphere serviced by outsourcing.
- concentration of resources on strategic objectives of a company.

At the same time, we should indicate threats connected with inappropriately used outsourcing services:

- getting rid of functions that may be important for an enterprise from the strategic point of view, resulting from wrongly defining which functions should be contracted out. this may also be connected with loss of competitive advantage,
- decrease in the quality of offered products due to using foreign sources of supply: inappropriate performance of services by entities outside the structure of an enterprise,

– danger of an enterprise losing its identity, and consequently also its competitive advantage in the case when the boundaries defining who and what is producing are blurred,

– lack of social acceptance of dismissal of employees and using outsourcing to dismiss inconvenient employees.

## Theme 9. Business Communication: Meaning, Elements and Features

It is common knowledge that research on communication has a long tradition. In 2000 communication was defined as the process of understanding and sharing meaning. What is more the definition hasn't been changed much since that time. The thing that is rapidly changing over time is the role of communication and its function in the globalized business environment.

Business communication skills are critical to the success of any organization despite its size, geographical location, and its mission. It is generally believed that organizations can only survive if they accept the rapidly changing global challenges and the communication processes are at the same time structured and flexible.

In addition, oral and written communication skills are regularly presented in the top ten desirable qualities by employer surveys year after year. For instance, the USA National Association of Colleges and Employers ranked the personal qualities potential employers seek. They listed top 5 skills such as communication skills (verbal and written), strong work ethic, teamwork skills (works well with others, group communication), initiative, analytical skills. Consequently, effective business communication is associated with writing and speaking well, being articulate or proficient with words.

The communication process usually comprises such basic components as source, message, channel, receiver, feedback, environment, context and interference. Each of these eight elements represents a separate function in the overall communication process.

At the same time one of the important issues that is neglected considering business communication is preparation.

From our point of view preparation is the key to effective communication. We suggest special technique in order to be well prepared to any kind of negotiations. Let us zoom in on the POST (Persons, Objectives, Strategies, Tactics) list. Thus, firstly we need to find out all the available (and sometimes confidential) information about people we are going to have a deal with. What is important here is to define who is responsible to make decisions. Furthermore, we should always bear in mind such human restrictions as money, time and goodwill.

Considering objectives, it's smart of you to concentrate not only on your own aims but also on your partners' goals and interests. This will definitely help you to find the option that is a "victory" for both parties.

According to your objectives you are to evaluate the limits of your commercial offer as well as other benefits you could achieve. Subsequently you choose your strategy that is based on the two previous points. Five broad negotiation strategies, accommodate, collaborate, compromise, avoid, and compete are described by Lewicki, Hiam and Olander (1996) in their well-known book .

Considering the most effective tactics they should definitely coincide with the chosen strategy and serve as its structural unit. Let us mention the most effective ones such as the use of higher authority, the encouraging tactics, walk away power, the power of legitimacy, effective body language and gestures, timing, additional questions and clarifications.

Walk away power is also one of the most widespread tactics in business negotiation. However, the negotiators must be very careful in applying this tactic because it can also immediately break down the whole negotiation process. The power of the written word (legitimacy) can be used in negotiation to strengthen the counterpart's belief in an agreement.

Clearly, we should also bear in mind that such strategies and tactics could be used against us, consequently be able to confront them.

Evidently, the basic functions of management such as planning, organizing, staffing, directing and controlling, cannot be performed efficiently without effective communication.

In order to be effective in business commutation its necessary to consider the following tips.

Firstly, avoid ethnocentrism, the tendency to judge all other groups according to the standards, behaviours, and customs of you own. When making such comparisons, people too often decide that their own group is superior. Similarly, avoid stereotyping, or assigning a wide range of generalized (usually inaccurate) characteristics to an individual on the basis of membership in a particular group, without considering the individual's unique qualities. Secondly do not automatically assume that others think, believe, or behave as you do. Next learn how to communicate respectfully to other cultures and religions. Tolerate ambiguity and control your frustration.

Moreover, do not be distracted by superficial factors such as personal appearance. Be flexible and be prepared to change your habits and attitudes. One of the crucial issues is the ability to observe, read and learn because the more you learn, the more effective you'll be. It's important to look for feedback, but you need to interpret it carefully. Nods and smiles don't necessarily mean understanding. Clarify your meaning with repetition and examples. Use concrete and specific examples to illustrate difficult or vague ideas.

The last but not the least important point is to analyze the communication after it has occurred. Estimate the strategies and tactics you have used to find out what has worked well and what was ineffective or totally wrong. This will help you to master your communication skills.

To sum up the success of any business to a large extent depends on efficient and effective communication. Experience of effective business communication assist the organization in achieving its goal of informing, persuading, favourable relationship, and organizational goodwill. Furthermore, successful business communication improves the relationships among a corporation and all groups of its stakeholders such as: customers, employees, shareholders, suppliers, neighbours, the community, the nation, and the world as a whole.

## Theme 10. COVID-19: Impacts on Business

The COVID-19 pandemic is an unprecedented global crisis, affecting human health and economic welfare across the globe. It is first and foremost a health crisis, with governments around the world taking measures to prevent the spread of the virus. Yet the pandemic has also resulted in a planet-wide economic slowdown, affecting trade, investment, growth and employment. The World Trade Organization estimates that world merchandise trade in 2020 could fall sharply, between 13% and 32%. Estimated global losses in GDP growth currently hover around 5 percentage points.

Although the pandemic has affected every corner of the world, the economic earthquake unleashed by COVID-19 does not affect everyone in the same way. With fewer resources to ride out the storm, MSMEs have been particularly vulnerable to the repercussions of the crisis. These firms in developing countries will be disproportionately affected, especially in Africa, least developed countries and small island developing States. Small businesses active in trade tend to be more competitive and resilient. Yet many of them have been shaken by serious disruptions in international supply chains.

The economic effects of health crises and lockdowns at home and abroad have been devastating. Findings from the global COVID-19 Business Impact Survey suggest that one in five small firms may go bankrupt within three months. For every bankruptcy, closed store, unpicked crop or drop in online orders, people will lose jobs and families will, in many cases, lose their only income. For Africa – which should be creating 12 million – 15 million jobs annually to keep up with a growing population – the implications of these employment figures could be catastrophic. And Africa risks $2.4 billion worth of exports lost in 2020 due to factory shutdowns abroad, as our new supply chain methodology estimates.

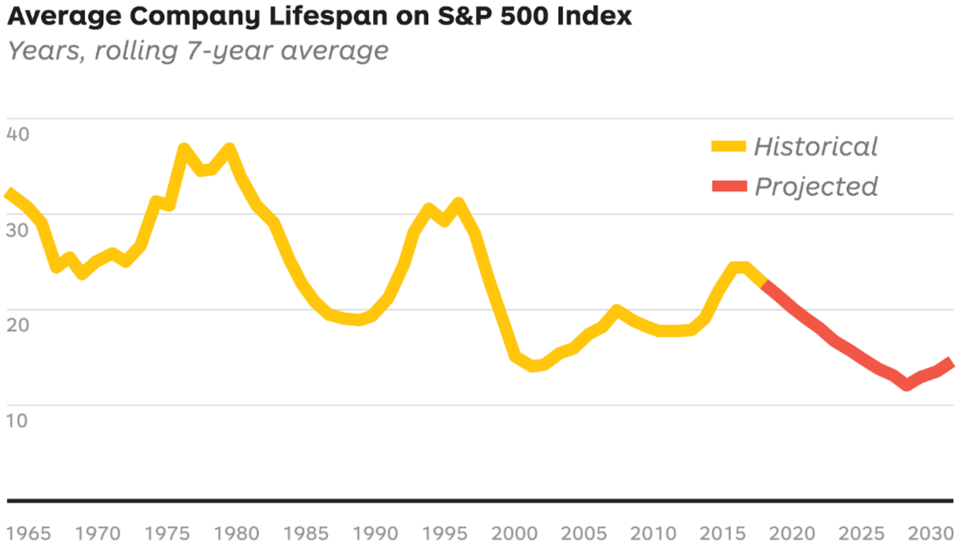
As the COVID-19 pandemic continues to evolve, there has never been a more pressing need for organisations to rethink and reconfigure their businesses for a changed world.

Now's the time for organisations to focus their efforts on supporting key areas of their businesses that will help them to stabilise in the new environment and strategise for what's next.

The COVID-19 pandemic has led to the biggest crisis many companies have had to face in their corporate lifetime. Few companies anticipated that something of this scope and size could happen, and most were not prepared for it.

Companies reacted to the outbreak either by adapting whatever crisis or continuity plans they had in place, or by starting from scratch, trying not to get caught too far behind their peers. Many companies have been granted a bit of leeway for their response by the public, media and stakeholders, highlighting the "we're all in this together" sentiment. But no company should expect that to last forever.

Not all companies are invincible. Those that come closest are the ones that constantly reinvent themselves before their business models become obsolete. This need for reinvention is more pressing than ever. 60 years ago, the average lifespan of a company listed in the S&P 500 index was 50 years, today, it is 15 years. By 2027, the average company could last just 12 years on the S&P 500 (Fig. 10.1).




Credit: Innosight

Figure 10.1

Failure of companies to reinvent themselves, leading to traditional cost-cutting measures comes at a high cost for employees and society as a whole. This is why we wrote The Invincible Company. To propose a different path, the path followed by the world's most resilient companies. We studied over 50 of the world's most innovative business models to understand why certain companies have been able to create immensely successful businesses, disrupt entire industries, and survive disruption themselves.

We examine how modern companies like Amazon, Ping An, Microsoft, and Tesla (among many other examples) have been able to create immensely successful businesses that compete on superior business models, constantly reinvent themselves and transcend industry boundaries.

The COVID-19 pandemic has brought fast-moving and unexpected variables, some of which existing crisis plans and teams weren't prepared to handle. Many companies successfully developed incident management plans specific to this crisis, and are now looking ahead.

What you can be done now.

Leverage your crisis management team to mobilise your response efforts in the immediate wake of the crisis – it can help as you transition into what's next.

As you stabilise and shift focus on how to bring people back to work, assess your organisation's response efforts to date and identify areas for real-time course corrections.

Look to what organisational insights the crisis process has provided to help you strategise and capitalise on the opportunity for event-driven transformation.

A well-run business should have a crisis plan, and many will have a specific pandemic plan. But nothing tests theory quite like reality. As COVID-19 evolved, many organisations spent the first several weeks reviewing crisis plans, business continuity plans and programs, and establishing crisis command centers. As businesses continue to respond, our crisis management process can help you navigate the uncertainty.

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Study Edition

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Business Training

Lecture summary

*Edited by the author*

*PE "Druk"*

*Offset printing*

*2.4 quires*

*Number of printed copies - 50*