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DEVELOPMENT OF MANAGEMENT IN THE DIGITAL ERA

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ABSTRACT :

This paper discusses the new 21st-century trends and difficulties that modern businesses must deal with in the context of the digital economy. It outlines the fundamental ideas of the new management paradigm known as "Management 2.0." It contends that digital transformation is the primary factor that can offer Russia a fresh opportunity to overcome its technological backwardness and assist managers in choosing effective new business models and development strategies. The key concepts of effective management that a manager in the twenty-first century may embrace can be identified through studies of the development of management concepts over the past few decades. Russian managers today must make their businesses competitive, which can only be achieved if the organization is evolving at the same rate as the external environment and all employees regularly participate in the innovation process. The article highlights the need to take into account the unique aspects of Russian culture that impede management advancement in the digital economy. It demonstrates that new organizational structures of businesses that motivate their employees to generate genuine value for their customers are a prerequisite for successfully implementing digital innovations.



KEYWORDS : *The characteristics of the Russian mentality, new management concepts, digital tools, Agile software development, holacracy, self-managing teams, shifting business models, shorter planning horizons*

1. INTRODUCTION

It is widely acknowledged that management concepts created more than a century ago do not reflect the economic realities of the twenty-first century. The industrial era's paradigm of management, which was founded on the ideas of standardization, specialization, hierarchy, control, and putting the interests of owners first, has become antiquated. A 21st-century organization, on the other hand, must contend with new trends and challenges, chief among them being the rapid acceleration of technological modernization, particularly as a result of the digitalization of the economy. Hypercompetition is another unique characteristic that necessitates that businesses adopt a new strategy for competing; they should become more innovative and creative, that is, identify and maintain their core competencies and dynamic abilities on a regular basis by producing what they can produce more effectively than their rivals.

Because digital transformation processes necessitate reevaluating business models and diversifying activities, industry boundaries are becoming less clear. The primary method of business administration is also reexamined, i.e., a business model is evolving through the incorporation of

advanced technologies in new business domains. Not only are business development models evolving, but strategy development horizons are also being drastically shortened as a result of their more frequent reconsiderations; new organizational structures are required for their planning and execution. Self-managing teams are emerging, organizational structures are becoming flatter, members actively participate in management decision-making, their roles evolve, they become more accountable, and they have greater mutual trust.

The modern management environment demands both a new kind of manager—a leader who feels that inspiring others and maintaining team spirit are the most crucial aspects of their job—and the active involvement of employees in management decision-making and reorganization. Consequently, the new management model ought to be founded on the following high-priority elements of effective management::

- flexibility of internal management system mechanisms and their adherence to the chosen strategy;
- orientation towards social aspects of a "self-learning" organization, which relate to the full release of staff members' intellectual potential;
- encouragement of team self-organization and creativity;

2. BACKGROUND

Managers must understand that "Management 1.0" is outdated and that a company will fail in the near future if it continues to use outdated management techniques if they want to successfully lead their organizations in the twenty-first century. These days, management requires new, audacious objectives that will force managers to look for completely different approaches to inspiring and maximizing human potential. How could the entire management system be reorganized in the face of ongoing change so that a business could easily adjust to new situations and maintain its competitiveness in addition to achieving its goals? How might a business create and apply digital tools and technological advancements to stay up to date? How could it restructure the organizational structures of its employees' work to motivate them to take initiative and give it their all?

Researchers studying management theory and practice convened at an international conference organized by the Management Lab in the United States in May 2008 to try to answer these questions. The 25 most important tasks were included in their concept, "Management 2.0: the New Version for a New Century."

Setting high goals that are related to tackling noble and socially conscious tasks should come first, rather than trying to make as much money as possible, as most businesses currently do. Adopting the concept of corporate responsibility is the second task, which entails taking into account the interests of not only top management and stockholders but also their employees and society at large. The third task is to demand the creation of a new understanding of the philosophy and essence of management, which suggests that a future organization should be socially responsible by drawing ideas from a variety of fields of knowledge, easily adapt to changes, and develop its innovations over time. The fourth task is revolutionary in nature; it calls for the rejection of the established hierarchy and its replacement with a "natural" one in which a person's standing and power are determined by their contributions rather than their official position.

According to surveys of Astrakhan State University Presidential Program trainees in 2012 and 2014, these new management responsibilities appeared to be highly revolutionary in 2008, particularly for regional managers. The trainees thought that the fourth task could not be completed in Russia. The introduction of holacracy, Agile, and Scrum software development, as well as the actual examples of the emergence of turquoise organizations in our nation and around the world, demonstrate the opposite: many businesses reject the formal hierarchy and instead create self-managing teams of like-minded individuals who work together to develop the company's development strategy. Consequently, a company's organizational structure changes: big units are divided into smaller, more mobile ones, etc. Let's share the results of our 2013 survey of 30 managers of industrial facilities in the Astrakhan Region to demonstrate that managers' consciences are shifting in the right direction. They listed trust and authority among peers of equal status (77%) as well as the ability to form a management team and

assign accountability for the most crucial decisions (76%), adapt to changes in the market (70%), be professional in management (57%), work effectively in a variety of fields (56%) and have productive and efficient relationships with legal authorities to meet the needs and interests of their companies (50%).

Cutting-edge Russian businesses are already putting the new management model into practice ten years after it was created. They actively embrace management innovations and use sophisticated management techniques like adaptive agile, self-managing holacracy, the creation of necessary organizations, etc. There are already actual instances of businesses in the Astrakhan Region that have implemented agile. These include several IT firms and the local Sberbank office. There are currently only two self-managing businesses that have implemented this strategy: the local Otkritie FC Bank branch, Knopka (Yekaterinburg), and the Tochka online service. Colleagues' opinions are highly valued in these organizations, which place a strong emphasis on everyone's self-control and horizontal control.

As the country's innovative and digital economy grows, Russian companies must deal with new trends and global challenges that drastically alter their development strategies. As is well known, Russia developed its national program of digital transformation by 2035 in response to the challenges posed by the Fourth Industrial Revolution, following its adoption of the National Technological Initiative (NTI) in 2014. The following important technologies are included in the NTI matrix: blockchain, artificial intelligence, big data, adaptive technologies, neurotechnologies, sensors and robot parts, AR and VR technologies, etc. We believe that digital transformation can help managers choose effective new business models and business development strategies, as well as provide Russia with a fresh opportunity to overcome its technological backwardness from the post-Soviet era.

Aiming to accomplish short-term or long-term goals, management can be effective or ineffective as a deliberate influence that motivates people to collaborate. This depends on a variety of factors, such as shifting priorities in one activity over another, which are crucial at specific historical stages of management development.

Since the early 1990s, studies of management evolution—that is, studies of later phases of the scientific development of efficient administration—have made it feasible to identify the key concepts of efficient management that contemporary managers of the twenty-first century may choose to implement as well as to ascertain its development tendencies. We have determined its key concepts and components based on its generalized theory and managerial practice, which have dominated concepts of efficient management for the past 30 years.

Table 1 Evolution of Scientific Concepts Related to Management

Concepts, Authors	Essence of Concept
Learning Organization, P. Senge	Five features of a learning organization: systems thinking, personal mastery, mental models, shared vision, and team learning
Nonaka and Takeuchi Knowledge Spiral Model, I. Nonaka and H. Takeuchi	Creation and dissemination of knowledge based on social interaction of formalized and non-formalized knowledge between members of staff, not within an individual
The High-Velocity Edge, S. J. Spear	Ability to react to emerging problems or new respects rapidly and share knowledge with everyone
Creating Shared Value, M. E. Porter and M. R. Kramer	Principles and methods that give a company a competitive edge and enhance the social and economic outlook in those regions where it operates
The Colleague Letter of Understanding by the Morning Star & Company, which is a world-leading food processing enterprise. These are letters written by all the staff members	No chiefs and no official positions, which implies that nobody is promoted; employee decide themselves who is responsible for what; each staff member can spend the company's money; each one is responsible for

to describe each employee's roles and detailed criteria to assess his/her performance	purchasing whatever is necessary for his or her work; decisions are made only collectively.
Holacracy, B. J. Robertson	The right to make decisions is assigned not to individuals, but to teams of employees - "circles" and "roles" that do not work on a regular basis.
Agile and Scrum. Principles: 1. Individuals and interactions over processes and tools. 2. Responding to change over following a plan. 3. Working software over comprehensive documentation. 4. Customer collaboration over contract negotiation.	Scrum method: a company forms a small (4 to 10 people) group that includes all the specialists necessary to accomplish the set task, which control their work themselves and are responsible for it. There are three key roles within a team: the Product Owner (PO), the Scrum Master (SM), and the team that identifies the top-priority tasks itself, breaking them into small modules; work is done by running short cycles – sprints; the team collaborates with its customer throughout the entire project and introduces desirable changes.
Circles and roles. Circles work to complete a particular task. A circle is a team that is formed or dismissed depending on what a company needs.	In a holacratic circle, a role is a set of duties and commitments necessary to achieve a particular result or play a definite role. Roles may be created, reconsidered, or removed; each staff member usually plays several roles in different circles.
HOPE (Haier Open Partnership Ecosystem) – an open ecosystem for users, innovators, and partners by Haier (China), whose staff members become active entrepreneurs who report directly to their clients.	An open ecosystem substitutes a formal hierarchy (Haier was split into 4,000 business units – ZZJYTs, each of which employs 10 to 15 people). The company names this approach “rendanheyi”, which implies a close correlation between the value created for a client and the value obtained by employees. A ZZJYT is formed easily, almost without any centralized control; all the ZZJYTs apply the same approach to goal setting, reaching internal agreements, and coordinating their activities.

It is evident from examining the origins of management concepts over the past three decades that concepts do not entirely vanish after their active phase ends. Its core ideas are still present in contemporary concepts that are founded on the mutual penetration and improvement of different management elements that were developed at this or that time.

One might think of the self-managing team concept that P. Drucker proposed in the early 1950s but that society at the time rejected. However, the Morning Star & Company successfully implemented the concept of self-management (without chiefs) in its best form just forty years later. According to Chris J. Rufer, the system's creator and implementer, every employee in his business is a manager. Everyone is in charge of finishing the assigned tasks and reaching the strategic goal. They must reach a consensus with their coworkers in order to achieve the objectives. Everyone is in charge of the required resources. Everybody is a boss who expects their team members to perform well. Due to the peculiarities of Russian business, we believe that benchmarking the experience this company has gained is difficult for Russian vegetable processing companies; however, it is highly applicable for small businesses in the services sector.

At the same time, Haier's successful performance shows how many of the Management 2.0 concept's ideas can be applied to Russian businesses. Zhang Ruimin's open partnership ecosystem has replaced a formal hierarchy with a natural one. Haier has always put its customers at the center of all of its operations, much like many other successful modern businesses that employ adaptable self-managing teams. Haier makes every effort to transform its employees into its owners, according to G.

Hamel. This is the best explanation for how this business was able to spur innovation and expand rapidly. The fact that a big, international corporation only has two tiers of managers between the CEO and the frontline is absurd.

As a result, Haier has actually made a significant discovery in the history of management: Zhang Ruimin only needed ten years to establish an organization using a "human-oriented" management model. He has also established an open ecosystem where employees, who have turned into entrepreneurs, are the goal rather than merely a means to an end. Haier is able to create and digitize new business models with ease thanks to this management style that promotes creativity and practical action. This is supported by the following data: its revenue is increasing by 18% annually, and its gross profit is growing at a rate of 23% annually.

According to G. Hamel, the rendanheyi approach is based on the following seven principles:

1. From Monolithic Companies to Microenterprises (ME) (Haier was split up into 4,000 MEs: three, 800 node MEs, fifty incubating MEs, and 200 market-oriented MEs; each ME has 10 to 15 employees).
2. Moving from Small Objectives to Big Goals. Every ME strives for lofty objectives, or "leading targets."
3. Internal contracting versus internal monopolies. Every Haier ME has the right to make its own decisions regarding whether or not to buy services from other MEs. Internal discussions are rarely disrupted by top managers. Every node contributes to the tasks carried out by a market-oriented ME, and the success of the established goals determines each employee's pay.
4. Transitioning from Top-Down Coordination to Collaborative Voluntarism. Platforms are used to organize Haier MEs. Building ME teams and assisting them in identifying genuine opportunities for collaboration are the responsibilities of a platform owner. At that point, the owner has no subordinates and no one is answerable to him. At Haier, we all share responsibility for our customers.
5. From Strict Limitations to Unrestricted Creativity. Every new service or product is created in an open manner. To help it handle challenging tasks in 1,000 areas, Haier formed a global network of 400 organizations and experts. Before a new project receives substantial funding, users must support it.
6. From Fear of Innovation to Large-Scale Entrepreneurship. Haier has developed into a veritable startup factory; as its MEs scour their battlefield and pinpoint their most promising prospects, it functions similarly to a massive search engine.
7. Owners to Employees. Haier MEs are self-managing organizations, meaning they have the authority to establish their objectives, recognize opportunities and choose the best course of action, hire employees and oversee their human resources, set pay scales, and award bonuses.

Thus, maintaining the competitiveness of Russian businesses requires a fresh perspective in light of global issues and trends in the digital economy. Their management should work to create a business like Haier, one that would evolve at the same rate as its surroundings and regularly involve every employee in innovations, inspiring them to be proactive, creative, and inventive.

Like Haier, ABB's cofounder and CEO, Percy Barnevik, split his business up into multiple small units in the 1990s, each employing 40 to 50 people. He maintained that employees in such small units could express their creativity in the most effective way possible, implementing innovations in actual manufacturing right away. Regarding Russian businesses, it is difficult to immediately picture a Russian business having just two tiers of management, from the frontline to the CEO.

The well-known management expert Dr. Ichak Adizes believes that not much has changed in the Russian management model. According to him, Russia's greatest asset is its people. However, corruption, elitism, fear, and hierarchy impede their progress within their own nation. He determined the barriers preventing Russia from developing an innovative economy. The first of these is the maintenance of an authoritarian management style, as no manager can evaluate all the risks on their own due to chaotic, constant change; therefore, a team's coordinated efforts are required to complete

this task. Some Russian businesses are gradually doing away with hierarchy in favor of systems that reject it entirely, such as holacracy, network organizations, flat structures, agile, etc.

In this instance, new organizational structures that better address the demands of the Fourth Industrial Revolution should be the main focus of management. Since 90% of IT departments have already adopted a flexible project management model, the Agile approach—which suggests a methodology of flexible adaptive management—is no longer exclusive to technology companies. It has slowly but steadily gotten into fields like marketing, product development, human resource management, and top management (when top managers join an agile team), among others. Innovation is the main focus of flexible self-managing teams, which actively engage with their clients and implement new developments to quickly satisfy their needs. The agile methodology is successfully used by major global corporations like Spotify, Netflix, Amazon, USAA, Bosch, Saab, ING, SAP, and Tesla.

Sberbank's experience is well-known in Russia. With the assistance of McKinsey, this bank has integrated agile into both its IT departments and HR department. The HR department uses digital services built on adaptive technology to actively automate HR procedures, online training, and mass hiring. AI tools and chatbots are also used. Sberbank moved the four primary HR functions—hiring, personnel adaptation, training, and career development—to the new cloud platform SAP Success Factors in less than a year, by February 2018. Sberbank started utilizing analytics and creating predictive models of different HR services after compiling all of its HR data onto a single platform.

Our involvement in a number of online forums, webinars, and seminars allows us to draw the conclusion that many Russian businesses already use specific aspects and features of the agile methodology in their daily operations. One could say that both big and small businesses will benefit from this adaptable and flexible technology as they create and use digital tools. The approach to business administration is evolving as a result of digital transformation; that is, a new fundamental trend of the modern world is the integration of cutting-edge technologies into every facet of business operations, which has altered the business model.

Russian companies' top management should understand that digital transformation calls for adjustments to their relationships with suppliers, customers, rivals, and contractors in addition to software. It should be noted that very few leaders from the 20th century (apart from, most likely, General Electric, IBM, etc.) benefit from using digital technologies because it is hard for them to catch up with startups that were created in the digital era. This is frequently due to the fact that their traditional business models, which support all internal systems (such as recruiting, staff promotion, resource distribution, innovation introduction, stimulation methods, etc.), frequently conflict with the demands and specifications of digital models. Young startups that profit from the use of digital technologies also actively alter the traditional business model and develop a new one by reorganizing their networks of partners, suppliers, and intermediaries—that is, altering many aspects of the value creation chain.

It should be emphasized that the value and adaptability of IT infrastructure have declined, allowing startups in any industry to leverage the most cutting-edge digital advancements to swiftly adjust to the changing, unique needs of their clients through customization. As a result, widespread use of digital economy tools will undoubtedly have a significant impact on the Russian labor market as well as modifications to business models and shorter planning horizons.

Annual planning and budgeting cycles have been replaced by shorter ones in modern, efficient businesses that undergo digital transformation and adopt new organizational structures like agile. While customers expect frequent changes, like cutting-edge technologies, which may not receive funding for a long time until a new annual budget cycle arrives, managers who use agile flexible technology are aware that an annual cycle limits innovations. For this reason, businesses like Tesla, Amazon, Toyota, and others have abandoned yearly planning cycles in favor of responding quickly to customer requests. According to Elon Musk, the Model S undergoes roughly 20 modifications each week, which improves its functionality.

In order to overcome the challenge of developing a robust digital and innovative economy, certain aspects of Russian culture that impede its growth must be taken into account. One could concur with A. Auzan that revolutionary management reforms cannot be successful unless they take into

account the "cultural" element, which reflects a close relationship between the national mentality and the economy. According to him, the overlooked element is the need to take into account the national culture and mindset, which form the foundation of all economic institutions.

By focusing on the national system of values and the particular mindset, it will be possible to overcome the limitations and constraints that exist in the Russian management system and, conversely, promote the development of other features. Let's apply the GLOBE project's findings, which have pinpointed social and cultural elements that either support or impede the growth of innovative processes in Russia. An innovative economy is supported by individualism and a long-term perspective, or looking to the future. Its development is hindered by two factors: a high degree of uncertainty avoidance and a high power distance. Let's concentrate on the obstacles. According to certain research findings, Russians are conflict-seeking individualists, which is closely related to their lack of trust and poor capacity for compromise. However, one should take into account the growing propensity of Russians to band together, collaborate, and receive training, as demonstrated by specific instances of the establishment of self-learning and self-managing organizations, as well as the use of agile and holacracy.

A high power distance indicates a strong belief that authorities will handle all issues on their own and a lack of willingness to reach a consensus. This is also supported by the results of our survey of 30 senior managers from different Astrakhan Region businesses. The results demonstrate that the top management of regional businesses has a strong belief in the need to maintain their exclusive influence over strategy formulation and has enough power to compel and influence all other participants in the strategic process to embrace this vision. The results obtained demonstrate that the authoritarian management style still predominates and that common Russians are still treated as "small people," with people fearing to disagree with their superiors. Russia remains a high power distance nation as a result.

The results of our organizational culture diagnostics of 42 industrial facilities in the Astrakhan Region, which were based on the OKAI technique and involved 248 employees who completed a questionnaire, provide additional evidence of this fact. While common employees and line managers prefer the current hierarchical organizational culture, a significant portion of regional companies (43%) have identified their current organizational culture as hierarchical, while only 36% (primarily top and middle managers) have indicated that they prefer the clan culture.

Fear of change, a strong desire to maintain the status quo, and an unwavering commitment to working strictly in accordance with rules and regulations are all reflected in the second factor, a high degree of uncertainty avoidance that is also typical of Russians. Even if they are unhappy with their pay and working conditions, people still fear losing their jobs. This element reflects the Russian people's desire for social security and their conviction that any change could only have unfavorable effects. Understanding the limitations of the current Russian management system will therefore aid in the struggle with certain aspects and, conversely, encourage the development of other aspects based on the application of the national systems of values and particular mentalities. Regarding the current state of corporate culture in Russian companies, it can be said that the organizational culture will improve itself as specific business issues are being resolved through the use of digital innovations and modern management: updating outdated business models and strategies under the influence of digital transformation; creating self-learning and quickly reacting organizations; establishing self-managing teams; delegating decision-making from the top down; motivating staff in every way possible; lowering the level of control over subordinate employees; increasing the level of trust in them; etc.

3. CONCLUSION

Digital tools are becoming an essential component for developing new business models, breaking into new markets, and creating an open ecosystem for partners, innovators, and consumers. Russian managers should be aware of this. In turn, new organizational structures for businesses become essential for the successful implementation of digital innovations because they enable workers to reach their full potential in their pursuit of creating genuine value for a customer and help them become active entrepreneurs who provide everyone with "a free way towards their dreams." Successful

global businesses' experiences offer distinctive illustrations of effective management in the age of digitization.

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