

FIRM'S MANAGING UNDER MARKET CONDITIONS

At the end of the XX century the majority of socialist countries' governments refused their hierarchy centralized systems of planning and began to find ways to the market. Ukraine is among these countries too.

What is a market? A lot of people, not familiar with the mechanism of market's functioning, consider it as a sum total of various firms and goods. However experience proves that market system doesn't make chaos and anarchy. Market system has internal logic of development, it is functioning.

Market economy is an arranged mechanism of the objective coordination of people, various kinds of activity and firms through system of prices and markets. This is a means of connection combining knowledge and activity of millions of people. Without centralized taking decisions market economy solves complicated problems, nobody has ever projected it, but it functions quite well. The decision of producers and consumers at a market coordinate prices. High prices lead to the decrease of consumption and induce production. Low prices induce consumption and decrease production. Prices are the balanced wheel in the market mechanism.

Regulating the relation between buyers and sellers (supply and demand) at each of the markets, the market economy solves three basic problems – what, how, for whom.

What to produce is determined by the money voices every day. Money, paid by the consumers, provides labor payment, rent and dividends. Profit is a pure income, or difference between the sum of sales and the quantity of production expenses. Firms are in great demand and therefore, making high profits. Relative prices also influence the production and trade between the countries. Japan produces and exports domestic electronics and imports food products, whereas the U.A.S. imports domestic electronics and exports food products. Who takes these decisions? The price mechanism does. Watching the price signals for land and labor, firms and consumers can choose goods, the most suitable for production, exchange and consumption.

How to produce goods is determined by the competition between producers.

The best way for a producer to endure price competition and to maximize profit is to deduct expenses at a minimum level applying the most effective methods of production. The history knows a lot of cases when the most effective technologies replaced the less effective ones and therefore, more expensive.

For whom to produce goods is determined by demand and supply of production's factors. The level of wages, land rent, rate of interest and profit – these are the prices. Summing up all incomes of population is determined by born in mind that income among population is determined by the sum total of the factors. But it should be born in mind that income distribution is influenced by a lot of non-market factors, population's incomes depend on the property it owns, on acquired skills and inborn abilities, race and sex discrimination.

Having examined the structure of market economy, we realize that it is consumers controlled by the consumers and technology. The consumers control the direction of society's resources, in their turn the resources of economy alongside with scientific and technological opportunities restrict the spheres where consumers can give their "money" voices. Economy can't come out beyond the limits of production opportunities.

The ideal competition economy is the one under which decisions, concerning resources, distribution, are taken voluntarily through the exchange of goods for money according to the market prices. It can obtain the maximum quantity of useful goods and services from resources available in economy. However market does not always function in ideal way. In response to the defect of the country's market mechanism, its government must regulate the activity of certain enterprises introducing various social programmers, fiscal and monetary policy. The main economic functions of a state are providing efficiency, justice, economic growth and stability.

The most enlarged model of the organization of economy in leading countries is mixed economy, under which market determines the majority of individual prices and the quantity of goods, state in its turn has an impact on the whole economy through the programmers of taxation, payments and regulation of money circulation. Ukraine's economy is undergoing a hard period of tradition from centralized management and planning to this.

The majority of goods and serviced in the economy is produced by the firms. To understand market economy, it's necessary to know the organization aid function of a firm.

Why do we need firms? The basic factor, which leads to the organization of production by the firms, is the economy, conditioned by the growth of production scales. Effective production requires the division of labor into great amount of narrow operations. The firms organize the production process, buy or rent land, capital, labor and materials. If it was no need in specialization and labor division everyone could produce everything for oneself. But it's impossible hence effective business requires large-scale production.

Another function of the firms is mobilization of resources for production. Today in the economics majority of means for production come from the company's profits, or intermediaries. Production, financed by private bodies, would be impossible if the corporation couldn't mobilize million dollars for new projects annually.

The third reason of firm's development is providing of management. Manager is a person who organizes production, introduces innovations, takes business decisions and is responsible for failures and success. The production can't be organized itself. Someone must control the construction of a new plant, conduct negotiations with trade unions. Since all these factors of production are in action, somebody has to control their everyday application to make economic activity efficient. The management of organization is "an adaptation". This is a stumbling-block of modern methods of management; everything in management is motivated, everything has its reason, everything is determined by the complicated influence of

many factors, outer and inner circle of organization. That is why it is so difficult to manage well. A modern management consists of four interrelated functions: planning, organization, motivation and control.

Organization is a group of people whose activity is coordinated deliberately to achieve common for all purposes. The function of planning presupposes the decision about what aims organizations should have and what members of the organization must do in order to achieve these aims. The function of planning answers the following three fundamental questions: Where are we standing now? Where are we going to move? HOW are we going to do it?

To organize means to create a sort of a structure. There are a lot of elements to be structured in order that the organization can fulfill its plans and so achieve its aim. One of these elements is work, concrete tasks of the organization. The organization of work has always been of great entreats. Since people fulfill work in the organization, another important aspect of organization's function is identifying who precisely must fulfill every exact task, including management's activity.

A manager should always keep in mind that even well-arranged plans and the most perfect structure of organization have no sense if anyone doesn't fulfill the actual work of the organization. And the task of motivation's function consists in the fact that members of the organization must fulfill their work according to the implying duties and plans. Investigations in the field of behavior sciences proved failure of the purely economic approach. At present we understand that in order to motivate the workers, the manager is to determine what the actual needs are and to ensure the way for the workers to satisfy these needs through effective work.

Control is the process of providing that the organization will actually achieve its aims. There are three aspect of management's control. Establishing standards is an exact setting of aims to be achieved within a certain period of time. The second aspect is measuring what has been achieved within a certain period and comparison with expected results. At the third stage the action for correction serious deviations from the original plan are taken if necessary.

As a conclusion it should be stressed that the science of management is constantly developing. That's why to apply knowledge into practice successfully it's not enough to know common theories. The role of a man in production has been re-comprehended lately. The computerization of production management creation of enterprises information systems, working with Internet – all these play a very important role nowadays.