

# Financing and economics management

## Common and different features of enterprise management and management in ACR



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# Educational goal

The aim of the lecture is to define corporate financial management and management in the Army, gradually fathom their common and different features of farming. Explain or remind basic concepts such as economics, economics, management, public sector, government department. Clarify common characters on the business and operations of the ACR. Explain the economic system ACR by defining the basic concepts related to the economic system. Advance since the economic system to the system of economic management and explain this.

# Content

1. Basic concepts for the understanding of corporate financial management and management of ACR
2. Common features of the enterprise management with the management in ACR
3. Economic system of the ACR
4. The system of economic management in ACR

(ACR = the Army of the Czech Republic)

# References

## Basic:

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- *Bílá kniha o obraně*. Ministerstvo obrany České republiky – OKP MO. Havlíčkův Brod: Tiskárny Havlíčkův Brod, 2011. 168 s. ISBN 978-80-7278-564-3.
- KUNC, S. Manažerská ekonomika v podmínkách Armády České republiky. Brno: Univerzita obrany, 2007. 192 s. ISBN 80–7231–168-9.

## Recommended:

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- SYNEK, M. aj. *Podniková ekonomika*. 3. vyd. Praha: C. H. Beck, 2002. ISBN 80-7179-736-7.
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# 1. Basic concepts for the understanding of corporate financial management and management of ACR

# Basic concepts for the understanding of corporate financial management and management of ACR

- The concept of **management** can be put on a par with the notion of **the economy**, ie. The sum of production and economic relations in the development of society, in particular State, in industry, in business in the organization, as well as e.g. the government department, etc. It's a real system has its elements and their ties.
- **The concept of the economy** (the economy) is therefore a summary of the management of a particular entity such as state, organization or individual. The term economics may take the forms of **economy** mentioned bodies farming as an economic activity mentioned bodies or **economical use** of available resources as economic entities so as to achieve minimum cost, while the maximum possible profit.

# Basic concepts for the understanding of corporate financial management and management of ACR

- It is beyond any question that there is a consensus on the fundamental basis on which we rely in the next, and always return to it.
- **Economics** as a science addresses the fundamental problem of **scarcity of economic goods** and of finite resources and further organizational forms through which companies allocate scarce resources among alternative uses in order to achieve maximum effect.
- **Maximum effect**, we understand the optimal supply. This tension between the need and the possibility of satisfying us, however, compels us to source loading the most wisely what we farmed with them, which is completely true whether for business management as well as management in the ACR.

# Basic concepts for the understanding of corporate financial management and management of ACR

- The area of each purposeful human activity, aimed at meeting the needs, must respect the general principle of rationality. It is not a condition to be focused only on the production of material goods, but also the **production of intangible property, i.e. operations and services**. Then, of course, the principle of rationality, must be accepted even in this type of society, such as the ACR.
- But we must not overlook a very important fact that the principle of rationality (economic principle) is a purely formal approach, which says nothing about the motives, but only **characterizes the way of economic conduct**. It means that any purposeful human activity may follow different theme, a different goal.



# Basic concepts for the understanding of corporate financial management and management of ACR

- *"The economy is part of planned human activities that are carried out while respecting the economic principle (the principle of rationality) and to reduce the existing limited resources to meet the needs of man."*
- Questions that under this topic deal with are derived from the cornerstones of rational economic thinking and behaviour, having a permanent force in each organization employed, and thus in the Army.

# Basic concepts for the understanding of corporate financial management and management of ACR

## State organizational unit

- **State agencies (State organizational unit – SOU)** are ministries and other administrative authorities of the State Constitutional Court, courts, prosecutors, the Supreme Audit Office, the Office of the President, Office of the Government of the Czech Republic ... and other devices, as laid down by a special regulation or statute; a similar position as a government department has an office of Deputies and the Senate Chancellery.

# Basic concepts for the understanding of corporate financial management and management of ACR

## State organizational unit

- Organizational unit of the state is not a legal entity. This does not affect its powers or the performance of the subject activity under special legislation and its conduct in these cases is one of the States. The organizational unit is the entity if so required, or the law.
- Funding Rules organizational units are regulated by special laws.
- State organizational unit is obliged to ensure that achieve income set budget and perform specified tasks in **the most economical way**.

## 2. Common features of the enterprise management with the management in ACR



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# Common features of the enterprise management with the management in ACR

- Entrepreneurship is characterized by several essential features which could be described in terms of the social mission of the activity. Efforts to achieve economic result (profit) as a surplus of receipts over costs.
- Every entrepreneur needs a certain property of their activities. Because this property is needed to ensure economic activities, we call him also **economic resources**. From the theoretical foundations already know that practically unlimited human needs are in contrast with the resources that can be used to satisfy them. This limitation naturally impels **to manage this limited resources** decide on their alternative use, and apply the principles of rationality. It is about to reach a certain goal with the least resources .

# Common features of the enterprise management with the management in ACR

- A necessary starting point, instructions, yet not practical reflection of these facts is the role of **business economics** in theoretical and particularly practical social science disciplines.
- **The experience of corporate management** is not possible to implement the terms of the ACR in its entirety. Target focus of corporate management is adequately subordinated to the economic system, structure, methods, techniques and tools of economic management.

# Common features of the enterprise management with the management in ACR

- It is therefore not appropriate to condition the success of the new trends of economic thought in the armed forces complete harmony with the principles of corporate management.
- Opinions basing *on the fact that the armed forces of the country must be seen as an economic enterprise, it should be corrected in a timely manner within the meaning of the law on budgetary rules and formulate them as **with state budget means managing organization (government department)***. Subject managing according to the wording of the legal provisions in particular the obligation to achieve the planned budget revenues and perform specified tasks **in the most economical way**.

# Common features of the enterprise management with the management in ACR

- If we abstract from governmental organizations and state-owned enterprises managed by the Ministry of Defence of the Czech Republic, we must conclude that the ACR economic activity whose aim is profit, not performed. However cost of resources and similarly enterprise market sector is transformed into a final form of performance.
- What does it matter that the unit amount of power is often characterized by a specific and exclusive type of military organization? What does it matter that some performances ACR, although they have a market sector totally comparable in nature (e.g. Logistics services) do not become subject to sales and ACR are non-existent in terms of the activities of these companies?



# Common features of the enterprise management with the management in ACR

- It does not change the fact that the transformation process must follow the principles of rational economic behaviour.
- They should therefore its factual content.
- Help create conditions for the fulfilment of the mission of the ACR (the main goals of the Department) **economical and efficient use of scarce resources.**

# Common features of the enterprise management with the management in ACR

- In every economic organization runs a huge number of different, richly differentiated processes (ACR training, logistical support, financial assurance, control processes ...).
- Each of these processes may be affected by not one, but often the whole group of indicators.
- For economic management and analysis is necessary that virtually unmanageable number of indicators reduced.

# Common features of the enterprise management with the management in ACR

- This reduction, mostly in the form of abstraction and aggregation, based on the fact that in every economy there are a limited number of contexts, whose knowledge and mastery is crucial for increasing efficiency and effectiveness.
- This leads to a limited number of processes and indicators to reflect. Even at first sight so different activities such as logistic support activities, combat training, teaching at the military school, and activities of administrative bodies like the Ministry etc. can be described as a limited number of indicators, because these **diverse activities have some similar economic context but even identical elements.**

# Common features of the enterprise management with the management in ACR

- Creating systems and sub-indicators in the proper hierarchical structure with defined relationships among them, based on *the principles of logic construction of a complex system of indicators*, is a daunting task, however, is one of the prerequisites for achieving the objectives of economic reform (transformation).
- In the production of goods is always the interaction of human and material resources within the economic system should therefore conduct rules of the market and the public sector **in relation to the objective requirement of rationality** differs materially. Yet we see that the public sector remains this idea still owe a lot.

# 3. Economic system of the ACR



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# Economic system of the ACR

- Very often we hear that when looking for a way out of the situation is too **complicated or complex problem solving** is not appropriate **system access**, the system solution should be only right that the cause of the persistent problems is called a system error and the like.
- The question is whether there is a **systematic approach for economic practice ACR** important enough to bother with a spread of already considerable amount recommended managerial and economic approaches for new terms.

# Economic system of the ACR

- **Expectations of positive results in solving complex problems without methodologically correct definition of the system are already doomed to failure.**
- If the systems approach, attributed to a secondary role, just like other supplement, seemingly priority tasks (remember the solution dysfunction in bureaucratic organization), then any organization will be mired in complex and difficult-to-solve situations.
- **Economic system that affects the processes of economic nature cannot be an exception.**

# Economic system of the ACR

- Economic processes have their own dynamics; with the objective of evaluating their performance are encoded effects of varying magnitudes, the effect of a set of elements associated with each other and forming some coherent unity.
- The purpose of each step system approach carried out both in the **analytical and synthetic phase**, is unveiling a "veil of secrecy" causes and consequences of the resulting system manifestations, seeking compliance with the real target expectations, best practice management system, ways to optimize the system, etc.



# Economic system of the ACR

## Phase analysis:

- refine the formulation of the problem,
- Prepare a Plan of problem solving procedure,
- Defining the elements and structure of the system and its links to the environment,
- Definition of the objectives of the system by clarifying its functions,
- Determine criteria for evaluating the reliability and efficiency of system functions.

# Economic system of the ACR

## Phase Synthetic:

- Creating a system model and simulation of its functions or behaviour towards the environment,
- Optimization of system behaviour,
- Proposal for the management of system functions,
- Ensuring the required reliability and effectiveness of the system.

# Economic system of the ACR

- What ACR experience with the economic system and the systemic approach in the management of economic processes?
- What is the goal of the economic system?
- A relatively independent, holistic system.

# Economic system of the ACR

- **Economy ACR (Armed Forces)**, as a socio-scientific discipline, should be able to resort to constitute the economic system and economic management system in accordance with the aforementioned characteristics, on the background of the different stages of the budget process, as well as general management functions, thus objectively ongoing processes, which the commanders and senior officers direct participants.

# Economic system of the ACR

- A **specific feature of any economic system** is that works with limited resources trying to purposefully and maximum (optimum) use, respectively align with the needs, which uses optimization procedures or work with variants (alternatives). Interesting as the efforts of some logistics of such a concept, the logistics processes taking place within the economic system.
- Note that logistics is also working with limited resources, operates with economy, which is also a precondition to achieve the ultimate effect. **So it comes to such purpose definition of reality in which economic processes taking place in nature.**

# Economic system of the ACR

- We must realize that we intend to describe the **specific economic system** and make it sooner already indicated **systemic steps** in planning and designing the system in terms of systematic methodology is irrelevant if it be an economic system of the Ministry of Defence of the Czech Republic, Czech Army (ACR) or cost center of ACR (systemic decomposition).
- If we decide to access the system, the size or type of the examined object were not crucial for us. If we accept this conclusion, then we can apply the knowledge managerial economics at the lowest, relatively independent organizational units ACR cost centers.
- At any cost center we can define economic system.

# Economic system of the ACR

**Cost center (CC) or Cost unit (CU)** for the needs of Order of Ministry of Defence no. 72 of 2012 means:

- **the lowest organizational elements whose benefit is realized by the process of financial security and for which compiles economic statement**, which is the image comparison earmarked and used cash and personal property and resources. A decision on the allocation of the Statute of the cost center manager gives chapter.

# 4. The system of economic management in ACR



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# The system of economic management in ACR

- The system of economic management system is defined by the economic building in which the elements of the system are partial acts deciding subtasks, the place of information and data, along with man as a critical and integral component. Constraints in the system are mutually shared and transmitted information and data.
- The subject of economic management is activities, weaknesses, analytical and decision-making processes of permanent results comparing the plan and reality.

# The system of economic management in ACR

- **The control system** is a management system is a dynamic system with the target behaviour, which effectively acts on another (controlled) systems in order to achieve their desired functions. The control and management system are often considered equivalents, especially in economic systems. Sometimes, however, for the control system is considered a set of rules (decision alternatives), according to which behaves control system, sometimes as a connection (union) management and control system.
- **The controlled system** is a system which is influenced by the control system, respectively. Control system for controlling the form (structure, organization, behaviour) to achieve the desired functionality and performance.

# The system of economic management in ACR

## Management systems built on economic objects:

- **Strategic management system**, consisting mainly of: defining the goals of economic object, defining the strategic objective of this object management system and develop long-term plans;
- **Tactical control system**, which determines the objectives for the operational management and monitors their performance. If disrupt the system with random effects, the system provides correction tactical management system objectives;
- **Operational management system** that provides management system in line with operational plans.

# The system of economic management in ACR

- **Economic behaviour in the Army**, as the foregoing should be seen as a continuous implementation of management functions responsible workers in defined stages of the budget process, ensuring the fulfilment of tasks resort, according to the procedures and principles of managerial economics, closer unfinished economy ACR (Armed Forces).
- There is no need to prove that just as it must be linked to economic management and economics object in one functioning unit must **be connected in one functional unit management and economics within him.**

# The system of economic management in ACR

- Because the decomposition using the system "moves" at a cost center, explain the relationship between management (tactical, operational) and economies within this economic object.
- From the perspective of business practice we are talking about *internal management* and *internal economy*. In our case, we could use the term **inter centre management** and **inter centre economics**.
- But will remain with the terms used business practice whose content is analogous to conditions cost center ACR.

# The system of economic management in ACR

## Internal management

Each management, including internal necessarily contains certain parts (function), which traditionally are:

- Planning,
- Organizing,
- Management (also motivation of people),
- Checking.

# The system of economic management in ACR

A typical feature of managerial work is constantly making decisions.

**Decision-making activity** is therefore included in all four parts management.

- Analysis of the decision situation,
- Identification of possible alternative solutions,
- Evaluation of these alternatives,
- Selection of the best alternatives
- Implementation of this alternative,
- Check this realization.

# The system of economic management in ACR

## Internal economy

- The theoretical basis of internal economy is microeconomic theory, especially the theory of costs. The basis of internal economy is the relationship between material and value the image of internal phenomena.
- There are some **methods that are integrative in nature; they connect with in-house internal management economy.** It is mainly ***structural analysis*** and ***balance system***. These two tools are very effective weapon against disproportions and inconsistency of internal phenomena.



# Questions?

# Thank you for your attention



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