

# HUMAN FACTOR AND METHODS OF GOVERNMENT AND BUSINESS MANAGEMENT

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**Abstract:** *Effective government is built on the active use of the types of management methods. There is also a positive effect from their application in business regulation. Different methods are applicable in all stages and stages of management. The methods are interrelated and interact, so in different situations one method can take notice and the rest assume a secondary supporting role. State and business management is related to the management of many people. A person's invoice is bound by a number of exceptions, which in turn categorizes and differentiates the methods of managing people from the general set of management methods.*

**Keywords:** *Methods of management, business, regulation, government.*

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## 1. TYPES OF METHODS AND THEIR APPLICATION

Methods of government and business regulation of people are distinguished from the general aggregate of management methods in that they promulgate their action to many people; they are implemented in co-operation with the laws, norms and powers granted to the state and its guides, which and are, in the present case, acting in their capacity as subjects of management on behalf of the State. Methods of government management are required to ensure the establishment and regulation of economic relations, the direction of economic processes for the benefit of public purposes, to maintain the law and the order of use of the resources and instruments of influence that are inherent in the state power.

The different management methods differ in the manner of formation, the content and nature of the implementation of the management impacts, the ways of influencing the people of the bodies and the persons who have the impact, and the elaboration and implementation of managerial impacts. The main methods of government and business regulation are subdivided into: administrative, economic and socio-psychological.

1. Administrative methods are based on the rights of the subject of governance - the state administration, state authorities to dispose and to exercise controlling influence over the object of governance in the form of legally enforceable laws, decrees, decrees, ordinances, instructions and other directives. Administrative-management methods of governance are based on coercion, prohibitions, restrictions. The object of management is obliged to execute the instructions of the subject regardless of his or her own desires, and in case of non-fulfillment the guilty persons are punished.

2. Administrative-government methods of government should not be linked only to centrally managed economies and also to direct planning. The administrative methods, in a variety of forms, are inherent in the market economy, with the difference that its command principles do not appear on such a large scale and in such a manifest form as in the one-center economy.

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In every organized economy there are state laws, rules, norms, positions, instructions, spreading their impact on economic sites, processes and relations. Establishing and supporting state standards with strict adherence is also a manifestation of organizational and administrative management by state authorities.

Strict prohibitions and restrictions are part of the authorities, introduction of compulsory payment of taxes, duties, deductions from legal and natural persons are signs of disposition, direct management. Although taxation is an economic impact and contains elements of incentives in one direction or another, its compelling nature indicates the administrative and administrative nature of governance.

At the macroeconomic level, in the conditions of a market economy, an instrument of administrative and administrative management becomes the state economic and financial plans, programs and budgets to the extent that they are obligatory or obligatory in nature, requiring implementation by the bodies, the organizations to which it is the responsibility for complying with the decisions adopted.<sup>2</sup>

At the microeconomic level, a typical manifestation of state administrative management is the state's obligations towards economic operators and restrictions related to their economic activity. There are a number of instructions, rules and norms for economic behavior, order and forms of economic accountability.

The main sign of an administrative method of government is the obligation that the circle of persons to whom it is addressed perform the management influence from the management entity. Its binding nature is the possibility and the right to apply some or other forms of coercion to bodies, organizations, persons who do not comply with established prescriptions, using sanctions, fines and penalties in a variety of forms. At the same time, the state is obliged to guarantee and protect the performers of its will from excessive risks, catastrophic consequences, conditioned by strict compliance with the state decisions.

In every organized economy there are state laws, rules, norms, positions, instructions, spreading their impact on economic sites, processes and relations. Establishing and supporting state standards with strict adherence is also a manifestation of organizational and administrative management by state authorities.

Strict prohibitions and restrictions on the part of the authorities, the introduction of compulsory payment of taxes, duties, deductions from legal and physical persons are signs of active management. Taxation is an economic impact and contains elements of incentives. Its forced character testifies to the administrative-administrative nature of government.

At the macroeconomic level, in the conditions of a market economy, the state economic and financial plans, programs and budgets become a way of administrative and administrative management. They are binding in nature, pre-requiring implementation by organizations that are entrusted with the responsibility to comply with the decisions they have taken. At the microeconomic level, state administrative management is the state's obligations towards the economic entities and restrictions related to their economic activity. There are many instructions, rules and norms for economic behavior, order and forms of economic accountability. A major sign of an administrative method of

<sup>2</sup> Turner, J.R., *The handbook of project-based management: leading strategic change in organizations*, New York: McGraw-Hill, 2009.

government is the obligation for certain people to implement the management impact. It is the duty and the right to apply some form of coercion to organizations, persons who do not comply with established prescriptions, by using sanctions, fines and penalties in a variety of forms. At the same time, the state is obliged to guarantee and protect the performers of its will from excessive risks, catastrophic consequences, conditioned by strict compliance with the state decisions.

Administrative methods have certain advantages and disadvantages. They are manifested by how, by whom and when the method is applied.

Administrative governance is necessary and useful in cases where there is no tradition of order and efficiency in society. It is also needed when making decisions in emergency situations that do not allow deviation from the set action program. Administrative methods are unavoidable if it is necessary to ensure that the law is enforced by the legal rules established by the state, to punish violations by individuals and business entities.

The negative side of administrative methods of government is that they limit the possibility and creativity of business activity by its subjects by turning them into „robots” that implement government directives or imitate their implementation. Moreover, the realization of the power positions in the form of, restrictions, rules imposed by the state on the participants in the economic processes leads to the absence of their own interests in the execution of such commands. This causes internal resistance, resulting in a low level of compliance. After all, there is low efficiency in economic activity and low use of resources, unsatisfactory quality of produced goods and services.

Worldwide processes of democratization and liberalization of the economy are taking place. They affect government and attempts to restrict the use of command and command, remain part of the government. This is because the state is always a means of coercion, and sometimes of violence. On the other hand, the perceptions of the state as a participant in the conditions of a liberalized market economy as an observer pursuing the preservation of state values and observance of the laws established by that state seem primitive and even naive.

Administrative methods need to be applied at all levels of government.

At the world economy level, they are used by international organizations and governments of different countries to ensure compliance with international foreign economic rules. The prescriptive methods of managing the world economy are also needed to respect economic security and reduce crimes in the economic and financial-banking sphere.<sup>3</sup>

At the level of the country's economy, different sectors and regions use administrative methods in the form of mandatory requirements, restrictions that are fixed in state regulations. They are implemented through sanctions that punish for breach of the rules of economic behavior established by the state.

Let's look at some of the basic ways through which the state has an administrative impact on the subjects of the state and non-state sectors of the economy.

<sup>3</sup> Spiess, W.; Felding, F., *Conflict prevention in project management: strategies, methods, checklists and case studies*, Berlin: Springer, 2008.

## 2. STATE ASSISTANCE FOR ADMINISTRATIVE IMPACT

The legal coercion is carried out by the requirement for mandatory compliance and enforcement of the state legislative and regulatory acts by the subjects to which they are directed. The State requires that the laws that have a direct impact be determined and which specify who and how is entitled to engage in economic activity and what conditions to observe. To this end, administrative and judicial means are foreseen to force the law to comply. These methods of forcible state influence are spread by macro-micro-economic objects and processes. On the basis of the laws of the country, additional state acts are issued, which clarify the requirements of the laws in the form of regulations, instructions and others.

The state defines them as organizational-legal forms of governance and acceptable ways of managing resources.

Administrative coercion, as an element of government, manifests itself in the form of directives that are contained in such disposal documents as decrees, decrees, orders, decisions, prescriptions, powers.

State administration is supported by the right of the owner to dispose of his property, as well as by the principle of subordination in the administration, according to which the lower administrative departments of the state are obliged to implement the directives of the supreme departments. One of the forms of state administration is the disposition of state financial resources, budget funds, state treasury and gold-currency reserves.

The state applies a general forcible seizure of a portion of wealth belonging to legal and natural persons in the form of taxes, customs duties, obligatory payments, and others. To justify this, the use of these means to satisfy state, public needs is a coercive effect. This gives tax a form of public contract between the state and the citizens.

The unconditional state requirements for observing the state standards, rules and norms in carrying out the economic activity are provided in instructions approved by the departments in the state power. The state bans and restrictions for certain types of economic activity can be also taken into account. These are prohibitions on publicly harmful or criminal activity and restrictions on monopoly, export and import quotas, restrictions on the import and export of foreign currency and the determination of the minimum wage.

Another way of direct government is the established administrative and legal responsibilities for illegal actions and violations of laws. The type and amount of the penalties, sanctions imposed on individuals and legal entities by state departments of the judiciary and the executive are determined by civil and criminal law. As a part of this mode of management, a partial or total prohibition of activity, bankruptcy, bankruptcy of organizations, confiscation of property, fines, dismissal of civil servants, deprivation of privileges, etc. are the direct measures.

The administrative procedure of management also refers to the permit documents, decisions, actions of the state authorities. They take the form of licenses, patents, affirmation of statutes and regulations for organizations, issuance of state certificates, certificates, revocation of decisions, withdrawal of permits documents, and more.

At all levels of business government, administering administrative impacts has the task of increasing the quality of management performance, their predictability for departments and decision-makers.

The methods of the economic stimulus group rely on the existence of material interests that determine the interest of participants in a particular activity. The subjects of various types and forms of economic activity are motivated by the extent to which the results of their activity will be supported, rewarded with material and satisfying their interests and plans. This makes the economic stimulus a universal method of management. It is based on the motives and interests of people and organizations, and provokes economic interest in the subject of governance to implement the management impact. The influence of the management institutions on the sites that are subordinated to them is through the application of economic incentives. It is manifested in the form of such incentives as increasing wealth and financial status, increasing incomes, profits, various forms of rewards, privileges, reducing constraints, additional resources, expanding economic freedom, property values. The economic impact is not only based on positive incentives, but also on anti-incentives in the form of fines, monetary and property sanctions, deprivation of privileges.

### 3. STATE ECONOMIC INCENTIVES

State economic incentives by nature are closely related to administrative methods. In other words, the state determines the system of economic incentives and how to implement them. They are then transformed into a form of government and regulation that is subordinated to market mechanisms for motivation.

Under the conditions of the economic management methods, the centralized administrative impact on the vertically „top-down” loses its decisive importance. The low-ranking units in the economy are given the right to make their own managerial decisions. Prerequisites for transition to self-governing economic sites are created. The laws governing economic relations take the character of not strict directives, but of rights, permits, conditions of management, ways of stimulating. Thus, the restrictions and obligations coexist with fines and penalties for violations of established rules and norms.

The difference between economic and administrative management methods is that they mean a transition from „vertical” management to „horizontal” governance. This means that in the system of state administration and regulation of the economy the free contractual relations are significantly increased, the assumption of equal obligations as economic entities whose degree of dependence on the state is substantially reduced. The state as a subject of economic activity builds its relations on a contractual basis, on the principle of equality, and assumes responsibility for fulfilling the commitments.

At the same time, it would be wrong to reduce the role of the state to the role of all other business entities. The place and role of the state in managing and regulating the market economy, under the conditions of applying management methods based on material interest, are more significant than other management entities. The reasons are as follows:

First, only the state defines the most common, binding for all economic actors, normative terms of relationships, called rules of „economic game”.

Second, the state is the richest, most powerful, most resource-assured participant in economic activity.

Third, the state has an „administrative resource” that significantly exceeds the same resource of other actors.

By their very nature, stimulation methods are called economic in the sense that they satisfy the material needs and interests of individuals or groups of people. The name „economic management methods” used with regard to material stimulation methods is not quite correct because each method of managing economic processes and relationships can be called economic because it is directed to objects of economic nature. In this sense, the method of material stimulation is economically based on the fact that it is based on the economic interest and the use of economic motives.

Adherents of economic methods of management and regulation of the economy consider the normative nature of the state as a subject of government. With regard to other actors in economic activity, it is also understood as unacceptable violence, deprivation of the right to freedom of action, interference with the internal affairs of the business site. If the state uses the economic management methods and influences the participants in the economic activity with the stimulation methods, the situation changes and the state becomes a barrier but an initiator of free market relations, supports them by correcting the defects of the market system, competition. Moreover, the state is able to stimulate market processes by using its own resources, state resources.

The state can apply the methods of economic stimulation and create an interest in the economic entities, transform the external impact into an act of the own will of the participants in the economic processes. Participants find their own internal motives, desire to act in harmony with the decisions of the state authorities, with state rules of economic behavior in the name of their own interests.

The most important economic stimulators used in the practice of state regulation of the economy are tax incentives, shareholding and privatization, concession, state funding, budget financing, state procurement, government services, price regulation, protectionist measures and social insurance.

Economic stimulus methods are highly flexible, they have the potential for rapid adjustment, they provide a link between business outcomes and the amount of material wages or punishment depending on the outcome. In this sense, economic methods are an attribute of situational, adaptive management.

The efficiency of governance, using the means of economic stimulation, is obviously higher. This depends on the degree of use of incentives that are related to the life goals and interests of those organizations and people targeted by a method.

The advantages of economic stimulus methods, compared to administrative methods, are perceived much more positively than the objects of their activity. The economic methods are not as bureaucratic as the methods of administrative punishment. Under the conditions of economic governance methods, the function of state units is shifted from the field of coercion to clarifying the objectives of the activity and the expected results. Its advantage is to provide support and encouragement.

Economic methods of government should not oppose administrative methods. First, in each particular situation, it is necessary to decide which methods should be chosen, whether they are interchangeable and to what extent it is possible to combine them. Second, despite the existence of a certain difference, these methods are closely related and cannot exist completely separated from one another.

Along with the administrative and economic methods examined to date in the management of the economy, a third group of management methods has been used which has been called the socio-psychological methods because they are based on the social psychology of the people, their public morality and the psychological predisposition to certain types of behavior. They argue about people's psychological attitude towards the state and civil debt. These methods are also called moral-psychological because of their close connection with the moral qualities of the participants in the economic activity.

#### 4. SOCIO-PSYCHOLOGICAL METHODS FOR MANAGING ECONOMY

In their content, the socio-psychological methods refer to the category of belief methods based on the moral and moral impact of the state on the psyche and the behavior of people, social groups and organizations in the process of their economic activity.

Every person is brought up and constantly formed a certain system of attitudes to labor, money, wealth, economic relations and rules of economic behavior. Everyone has certain preferences and priorities. In general, all of this is a set of principles and rules that can be called economic psychology.

People and social groups behave and act not only in accordance with the laws of the country but also under the influence of the state government units. If they are absent, the subjects act in accordance with their internal morality. This manifests in both economic and ordinary human behavior.

Socio-psychological methods of management are designed to influence individual and group consciousness and morals in order to persuade them to act in accordance with the goals and desires of the governing body. The effectiveness of this impact depends to a large extent on the upbringing that has been set in man and passed on from generation to generation. In this respect, a typical example is Japan, in which love and respect for labor, devotion to work is passed from childhood. The Japanese worker is able to voluntarily give up leave if the interests of the company require so. It is characterized by profound personal responsibility to the results of his work, such as quantity and quality. Respect for labor and the state are also characteristic of German workers.<sup>4</sup>

The socio-psychological methods of management are based on the principle of mutual understanding and respect, cooperation in relations between the state and the citizens. Methods of conviction most closely correspond to a democratic, liberal style of government that avoids direct coercion and violence against people. Such an impact is more characteristic of the management processes in the lower units of the production process. There the economic relations are manifested in direct contacts between managers and performers. These methods are sufficiently effective in conditions where economic activity is not only about fulfilling a task but requires self-initiative, a creative approach and a sense of personal responsibility.<sup>5</sup>

It is a fallacy in many countries, especially those in transition to market management mechanisms, that socio-psychological methods in the government of the economy are of low applicability. The blame for this is mainly in the state, which does not care to teach childhood economic morality and respect for work as the main source of existence for everyone. Because of this, people are increasingly staring not in themselves, but in the state represented by corrupt

<sup>4</sup> Lynn Crawford, J. Brian Hobbs, J. Rodney Turner. *Project Categorization Systems*. PMI, 2005.

<sup>5</sup> Gray C.F., Larson E.W. *Project management. The managerial process*. McGraw. Hill International Editions, 2000.

officials, thus explaining all their problems. The behavior of state officials, obsessed with the pursuit of personal well-being, does not help to create and strengthen people's trust in the state.

Socio-psychological methods of government have common features with economic methods in that the state sometimes resorts to moral incentives in the form of incentives and awards of a non-material nature - gratitude, praise, symbolic reward, and so on. Such incentives are transformed into ruling signals, influences conducive to the development of such qualities that are highly praised by the state. In many cases, moral incentives prove to be more effective than material, monetary ones. This is because they satisfy the needs of people by publicly recognizing the value and importance of their work.

The principal feature of socio-psychological methods of management is that the effect of their action depends on the type of personality. For the effective implementation of these methods, it is necessary to use the means of belief and moral impact, depending on the people to whom they are directed. It is necessary to assess the choice between the individual or group effects, the choice of one or other methods of impact, the nature of the possible feedback.

In the real practice of government, the state seldom resorts to the use of only one of the methods. It is possible within a single government act to use a particular method together with other methods. In other words, one method will always be a leader and others will be used to enhance its impact.

## 5. CONCLUSION

The right choice and the consistent exercise of management methods results in people from the state institution or business. The application of management methods is good practice, motivates and creates a positive sense of the right influence of the government. The long practice of the methods creates a routine in their use and sets the correct norms in their interaction. In the management of state institutions and businesses, through management methods there is a balanced daily load and a sense of proper development in this direction.

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