

INSTITUTIONAL ASPECTS OF THE REFORMING OF RUSSIAN INDUSTRIAL ENTERPRISES

INTRODUCTION

The problem of enterprise reform is central for transition economies. The creation of macroeconomic and political conditions that ensure free development of market forces will be successful and will result in growth of competitiveness of economy only when the enterprises change and become more competitive. If the enterprises are not harmonized with socio economic and institutional environment (either in functional or in institutional sense), the transformations that are carried out will inevitably be either unstable, or inefficient.

The dual situation of the enterprises in a transformation processes is rooted in their very nature. On one hand, the majority of enterprises produce goods and services on a regular basis and have a certain and rather stable place in the system of public division of labour. To a decisive degree, the functioning of economy as a whole is based on this stability, in particular on the stability of large and medium high-tech enterprises (changes in the structure of the network of suppliers and manufacturers are seldom achieved without essential transaction "switching" costs).

On the other hand, the transition from centralized managing to a market-controlled economy implies essential institutional reorganization of the enterprises. The absence of institutional mobility of enterprises during this period can remove the enterprise from the framework of working economy.

How to combine functional stability and transformation mobility? It is the main task which stands today before economists, economic policymakers, and enterprise managers and workers. Should the enterprises in a transition economy function like airplanes with varying shape of wings (and with varying crew and passengers); should one expect that a natural "change of generations" of the enterprises will take place through voluntary / compulsory liquidation of inefficient enterprises and the appearance of new enterprises, more effective and already structurally adapted to a market economy; or, at last, is it possible that old enterprises will gradually evolve in the direction of market adaptation without the loss of functional stability? These alternatives are exposed to analysis in the given paper.

TERMINOLOGICAL AND CONCEPTUAL SPECIFICATIONS

The term "enterprise" will have two meanings. First, "enterprise" will denote an organization, which is manufacturing goods or services for outside consumption and reproduces resources on a regular basis. It not always coincides with concept of a legal person. On the contrary, in Russia, one enterprise is often represented by several legal persons, or one legal person is in fact the representative of several unrelated enterprises. This phenomenon makes drawing the boundaries of an enterprise in economic, administrative, social and legal spaces very difficult.

It is important to pay attention to one detail. Since the above definition speaks of a regular, continuous production of goods and services, we should eliminate from the list of enterprises the so-called "one-day-enterprises" or "one-time-enterprises" that are created specially to carry out short-term operations within the framework of the shadow economy and that disappear from the market after the day's end.

Secondly, "enterprise" will be understood as an institution of enterprises, i.e. not concrete, but a generalized, typical representative of this group.

It is also necessary to elaborate on the concept of institution used in this material. Institution is understood as a system of formal and informal norms (rules, instructions, examples) that regulate decision-making and the behavior and interaction of socio-economic agents. It is assumed that these norms are rather stable relative to the behaviour and interests of the socio-economic agents. Depending on the agents to whom these norms are addressed, one can speak about macroeconomic institutions, microeconomic institutions that regulate the interaction of enterprises, and intrafirm institutions that govern the activities within a given enterprise. After the works by Nelson and Winter, microeconomic institutions are referred to as routines. The interaction of institutions of different levels creates, by the expression of D.North, a «cumulative institutional system of a given society».

The rich world of intrafirm institutions is of a special importance to this work. Dozens of institutions are at work practically in every aspect of enterprise's activity, ranging from hiring and dismissing a separate worker to strategic decision-making. The system of internal institutions of an enterprise is closely connected to the system of nation-wide institutions. In the short term, nation-wide macroeconomic institutions are projected onto the intrafirm space and influence the shaping of microinstitutions. In the long term, enterprises act as incubators, and sometimes as generators of new institutions that shape the stricture of social attitudes (relationships). Institutions such as "principal-agent", employer-employee", "worker-collective", worker-worker", "supplier-consumer" relationships and many others, including various specialized technological institutions, are formed at the enterprises and are distributed through both personnel migration and information interchange and cognitive activity of enterprises. In the short term, the institutional structure of an enterprise can be considered as a model of nation-wide system of institutions. Therefore, the transformation of an enterprise's institutional structure is very closely connected to the dynamics of nation-wide institutions.

The terms "reforming" and "re-structuring" need to be defined more specifically. Reform of some object (in this case - an enterprises) is to be understood as a change of object as a whole (certainly, with the preservation of identity). Re-structuring implies a more specific process of a change in the structure of the object, i.e. change of structure of its elements and/or of connections between them. The re-structuring of enterprises during transition is often identified with a reduction of volumes and scope of production, cutting personnel, sale of non-profile assets, etc. In our opinion, it is only one of possible scenarios of market re-structuring. Other ways, such as diversification and increase in production, can be no less effective.

ENTERPRISES AND REFORMS IN RUSSIA: ENDS OR MEANS?

It is necessary to remind that the reorganization of economy in 1990 years in the Soviet Union was inspired by the unsatisfactory condition of enterprises. The basic problems of enterprises were identified as: inefficient use of resources; low susceptibility to scientific and technical progress; weak motivation of workers; low labour and transaction discipline. There was practically no system of market exit for enterprises, and the creation of new enterprises was also very complicated. The majority of economists, however, believed that the enterprises possess all the necessary means to solve these problems, and are hampered in their effort only by

excessive state intervention. The directions of branch ministries, Communist party leadership, distribution of production by Gosplan and Gosstribzashch did not allow the enterprises move to their production frontier. Extremely dense institutional environment in and around the enterprises constrained their functioning. The task of the reformers under these conditions seem similar to the work of a sculptor chopping pieces off a block of marble to create a sculpture. In the period before perestroika the increase of efficiency and introduction of innovation processes at the enterprises was considered to be the purpose, while the transition from centralized planning to market – as a means to achieve this end.

However, the process of transition to a market economy soon became a goal in itself. This was motivated by political factors, interests of various power circles and by the inertia of the development of socioeconomic processes. The enterprises were left on the periphery of reforms and public attention. During the time of “advanced perestroika”, the connection between the enterprise as a basic microeconomic institution with the functioning of economy as a whole was not fully understood. If in the short term macro policies (legislative base, taxes, exchange rates, etc.) influence the functioning of microeconomic agents, in the long term macroeconomic features themselves are derived from mutual relations that are developed at the enterprise level – such as the relationships between work and capital, between management, proprietors and hired workers. Such situation can be considered natural, since the enterprises are one of a few economic structures with inherent self-reproduction properties. Symbiosis of the state and enterprises is the only way of successful functioning of economy and society in the post-reform the period.

CURRENT PROBLEMS OF RUSSIAN INDUSTRIAL ENTERPRISES

The direction of reforms at the liberalization of economic life and liquidation of pre-reform socio-economic institutes has lead to an institutional vacuum. The connections of enterprises within the industrial branch were severed, while there developed the territorial competition for privileges and preferences from regional administrations. The branch-specific science, that acted as a medium for the spread of global technological progress as well as a marketing center for enterprises, was all but eliminated. Enterprises, deprived of financial resources and social and institutional environment, also lacked some socio-economic “air” and suffocated like fishes thrown ashore.

The equalization of "pressure" between internal and external institutional environments of the enterprises led to the dissolution of borders between enterprises, withdrawal of financial flows, delimitation of interests between various groups of intrafirm agents and resulted in the phenomenon which has received the name of “the economy of physical persons ”.

New functional problems were added to the ones inherited from the socialist period, named: reduction in quality and wholeness of management; prevalence of short-term objectives to the detriment of development and, as a consequence – to the detriment of reproduction processes at enterprises; the growth of social conflict between management, workers and proprietors; the loss of the quality of labor force; disintegration of labour collectives etc.

However, the most serious problem was a systemic institutional problem of the loss of integrity by the enterprises. The integrity of an enterprise is to be understood as a balanced interaction between the processes of production and sale of output, regeneration of resources, and innovation. *Functional* aspects of integrity

provide quantitative proportions of these processes, *institutional* aspects of integrity reflect unity and completeness of the system of internal institutes in the enterprise, and the *evolutionary* component guarantees the preservation of these kinds of integrity of enterprises during development.

An alternative to integrity is the fragmentariness of the enterprise, its internal space and microenvironment, the loss of unity and continuity of development of the enterprise in time, impossibility to use saved experience and knowledge.

The weakening of functional component of integrity of the enterprises is expressed first of all in the reduction of the share of innovation-investment processes and subsystems of the enterprise. The volume of the investment has decreased almost 5 times in comparison with 1990. According to Goscomstat data, the share of enterprises that engage in innovation activity is 6 % (in USA the appropriate figure - 33 %). At the end of 2001, 37 % of the enterprises were unprofitable, while more than 70 % of the enterprises produce unprofitable output. According to the data of the Russian Economic Barometer, more than 20% of the enterprises did not make a capital investment in the past 6 months and are not planning capital investments in the next 6 months, while more than 50% of the enterprises do not make any investment during the last 2 or more months. At many enterprises, R&D activities and facilities are reduced to a minimum if not liquidated at all.

A recent and serious problem is the phenomena of "cognitive insufficiency". The stock of technological and communication knowledge and skills at the enterprises (explicit as well as implicit) sharply decreased in the recent years. The enterprises do not pay sufficient attention to the creation and maintenance of documentation on products being produced, while the communicative opportunities have decreased sharply. The most qualified personnel with unique knowledge is leaving the enterprises (annual labor turnover reached 27% recently). Lucrative offers are often refused due to the absence of workers with the necessary task-specific skills. The technical knowledge of young specialists is insufficient, since the system of professional secondary education is partly liquidated, partly refocused on specific market-economic questions. The enthusiasm for market mechanisms to the detriment of organizational production management has captured technical colleges as well. "Cognitive insufficiency " leads to a decrease in the quality of production and growth of manufacturing costs.

The weakening of the integrity of enterprises is also manifested in the decrease in the level of internal consolidation and coordination of enterprise's business processes. Functions such as marketing, financing, logistics, preparation for production, the personnel processes, manufacturing etc., are not sufficiently coordinated, do not have a uniform plan and incur excessive costs. The enterprise reminds an incorrectly assembled jigsaw puzzle (as "Rubik's Cube").

The role of motivation to expand in the structure of enterprise's external functions is weakened for the majority of enterprises, and so is the role of profit maximization (the personal interests of various categories of actors are considered below). The influence of market signals on the behaviour and performance of enterprises is not sufficient. Either these signals are not perceived at all, are not adequately interpreted and do not reach the decision-making authority, or the decisions are made without regard to market signals. It is necessary to emphasize that the responsibility for the achievement of a production plan by an enterprise rested on the shoulders of the enterprise's director. The responsibility of an enterprise before the market is distributed among all the workers and has a less expressed character. The responsibility before the shareholders is now weakened because of the structure

of corporate control. According to various data, on average insiders control more than 50% of an enterprise's stock. The largest share is supervised by the general directors themselves - directly, through trust structures or affiliated organizations. Thus, the mechanism by which other actors can influence the decision-making process is practically absent.

Last but not least is the problem of social responsibility of an enterprise before the society, its own workers and other participants (stakeholders).

All these problems have an institutional nature, i.e. are caused by insufficient development of appropriate institutions in the transition period (see tab. 1)

Table 1
Institutional factors of integrity of an enterprise

	Institutions that maintained this quality before the reform	Institutions that maintained this quality in market economies
Integrity of an enterprise	Control by branch ministry, regional administration and Communist party organs	The desire to minimize transaction costs, economies of scale, competition, stock market, legal protection against dirty takeovers
Internal coordination and consolidation of an enterprise's business processes	The system of intrafirm planning; written recommendations on how to run an enterprise; the director's personal responsibility before the higher authority, labor force, labor unions and Communist party organs; development of automated control systems	Effective and sincere business planning, strategic planning, regular strategic management, labor union activity, professional competition, the responsibility the executive before stockholders and the Board of directors
Functional motivation of an enterprise	Exogenous planning; material stimulation of director and the collective; moral support and career opportunities for the director; firm loyalty ("patriotism") of workers	Stock market, influence of the Board of directors as outside shareholders, the defense of stockholder's rights in court
The effect of market signals on an enterprise	Industry-wide control, industry-wide research institutes; factory R&D; the system of exogenous planning; the system of quality claims; the system of "socialist competition" among enterprises	Marketing, competition, bankruptcy legislation, stock market
Social responsibility of an enterprise	The director's personal responsibility before the higher authority, labor force, labor unions and Communist party organs	Influence of the independent members of Boards of directors, stock market, influence of social reputation of the company on its capitalisation

Currently, the majority of institutions mentioned in the middle column no longer exist. Part from them disappeared with the centralized management of the economy, others were lost in connection with sharp economic recession, others still were consciously liquidated or extremely weakened because of the flawed or simplified theoretical assumptions.

The institutions mentioned in the right column either have not been created, or are at a low stage of development.

Therefore the task of institutional reformin consists of development and implantation into the internal and external socio-economic environment of enterprises of those institutions that ensure the realization of properties listed in the left column of the table.

REAL REFORMING PROCESS OF INDUSTRIAL ENTERPRISES

Are there any reasons to hope for a "natural" replacement of old, inefficient enterprises by the new ones, formed in the post-reform period in Russia? To answer this question, we shall briefly consider some aspects of reforms related to the processes of replacement of old enterprises by the new ones.

In 2001 the number of newly registered enterprises in an average industry was about 8 % from the number of existing enterprises, the number of enterprises liquidated - 3 %. However, the establishment of new legal persons does not reflect the process of creation of new enterprises and new workplaces in an industry. It was already spoken that there is a network legal persons affiliated (mutually affiliated) with every large and almost with every middle enterprise. Such picture results in boards of directors that do not carry out strategic and control functions in relation to enterprises and do not play an essential role in the realization of interests of the shareholders.

The overwhelming majority of the new enterprises are created with the speculative purposes, in attempts evade taxation or to execute some illegal operations. In Moscow, for example, about 60 thousand enterprises are creted each year. Of that number, approximately 10 thousand share 109 legal addresses. It means that over 100 firms reside at each of these addresses. The starting capital of these firms is negligible. If these numbers are compared with the investment figures and with the fact that most industries operate at 70 % of capacity, one gets an impression that the large number of new industrial enterprises reflects the ongoing pocess of redistribtyion of property, not that of replacement of old by new. There is, therefore, little reason to hope for a change in generations.

The process of liquidation of enterprises does not reflect natural selection but serves, as a rule, as a means of achieving speculative interests of persons or groups. The bankruptcy procedure (there are about 30 thousang bancruptcy cases tried in Russian courts) is used as a way to capture property. Thus the enterprise appears defenceless before the creditors, shareholders, and, at times, before its workers. TV-6 and NTV are one of nmany examples when effective (from the standpoint of satisfaction of goals) enterprises become victims of the unfair actions with the help of corrupt officials and courts.

The processes of creation of real new enterprises (not just the legal persons) are very slow and are not significant economically.

In this situation the only realistic way to development lies through the reforming of existing enterprises.

What are the characteristics of this process in Russia? As follows from the survey conducted by a research group of the State University - Higher School of Economics, CEMI RAS and other organizations (coordinated by A.A.Yakovlev), the process of enterprise reform is real: 53,4 % of the enterprises reply that there is work on reforming underway. According to an alternative in-depth survey of 25 enterprises in Moscow, Volgograd, Taganrog and Ivanovo, carried out by CEMI RAS in the same period, about 58 % of the managers report of restructuring processes, and 36,8 % find by them successful.

What the sorts of a measure are carried out within the framework of reform? It is meaningful to distinguish four kinds of restructuring: *functional* (or neoclassical), including purposeful action to change pricing policy, the number of inputs and the structure of output; *managerial*, implying the change of organizational structure and redistribution control functions; *institutional*, implying the change of intrafirm institutions, and *evolutionary* - the launch of mechanisms by which the system if intrafirm institutions can evolve.

As it follows from surveys, about 1/3 of enterprises undergo functional restructuring. Managerial restructuring, manifested in reorganization of functional and organizational structures of management, spans practically all reformed industrial enterprises. At the same time, institutional or evolutionary restructuring, aimed at the most fundamental problems of enterprises, is extremely rare and provides a room for improvement for a vast majority of enterprises.

The problem of inefficient output has practically been solved: such output is no longer produced and is replaced by modern samples intended for export or domestic consumption. The only essential functional problem of the Russian industry from the point of view of its competitiveness is the problem of quality of mass-produced output (the quality of custom-made output is often vastly superior than the world standart).

The problem essential to the enterprises of finding the demand for output is much deeper and complex in nature, and is closely connected to the problem enterprise's institutional environment. Solving this problem requires the reform of microinstitutional structure on the enterprise.

INSTITUTIONAL REFORM OF INDUSTRIAL ENTERPRISES

As follows from above, the paramount attention now should be given institutional reform of the enterprises. This process includes creation and improvement of external institutional infrastructure as well as the change in the structure and functioning of intrafirm institutions.

Among the institutions external for the enterprise the greatest in importance are the judicial system and stock market. The former is often used to achieve political and economic goals, as it was shown by recent election campaigns at local levels, the struggle for control of mass media, widespread speculative bankruptcies of enterprises and so forth.

Among the institutional problems enterprises that interfere with the development of an effective market economy one must name the institutional weakness of the stock market. Shares of 235 Russian enterprises are traded openly, while the real number is 156 enterprises out of 25000 open joint-stock companies. At the medium-business level, stock is a mechanism for retainment of control, not that of public appraisal and influence on the enterprise. The weakness of the share market not

only reduces investment opportunities of the majority of the enterprises, but also interferes with their functional restructuring.

Among intrafirm institutions the greatest in influence on the activity of the enterprise is the decision-making system. In the end, the financial well-being of an enterprise depends on in whose interests decisions were made.

Usually all subjects of the decision-making process at the enterprise are divided into three groups: shareholders, managers and workers. However, in the real practice of management of the industrial enterprises in Russia, these groups do not act as the well-defined subjects and are not equally represented in the decision-making process. The researches show that, for the overwhelming majority of enterprises, there is a sharp break between the interests and opportunities of the "first person" (general director? CEO) on the one hand, and those of top management (including the assistants of the general director, functional and top divisional management) on the other. The latter group manages technical and organizational processes and is of paramount importance to the functioning of the enterprise as a whole. The lowest line management is close to the workers in its structure of interests.

One should consider as a separate issue the role of individual workers and of the labour collective as a whole in the decision-making system. Even though both are usually insignificant, in the case of a special situation of social conflict (when the enterprise is "protest") both separate workers and labour collective can play an important, at times even a dominant role.

Somewhat similar situation takes place with the shareholders. The body of stockholders is not homogeneous. There are both minority shareholders who are capable of exercising influence only in coalitions, and majority shareholders with different interests as well as different opportunities for their realization. Therefore, in the analysis of functional-administrative configuration small and large shareholders should be treated separately. The proxy for small shareholders is the shareholders assembly.

Thus, the functional-administrative configuration of the decision-making system of the typical Russian industrial enterprise consists of six participants:

- 1) Chief of the enterprise (general director);
- 2) Administration of the enterprise (assistants of the general director, top divisional management and functional chiefs);
- 3) Shareholders (proprietors) of the enterprise as the physical or legal persons;
- 4) General meeting of the shareholders of the enterprise.
- 5) Labour collective of the enterprise;
- 6) Workers of the enterprise.

Each of the listed agents has a more or less constant "weight" in decision-making structure, and also has a unique vision of the enterprise and a unique expectation regarding the enterprise. These differences are manifested in different interests in certain decisions.

In a way, the decision-making process can be considered as arena of competitive relationships. Practically always there is an opportunity for interchangeability of the mechanisms of influence in the mutual relation of all subjects of the functional - administrative configuration. It means, in particular, that the status distribution of administrative resource implying the principal-agent asymmetry within the framework of the given configuration can be compensated (and the asymmetry of the information - is overcome) through the redistribution of information and executive resources.

As shown by CEMI RAS research on the condition and potential of enterprises, the dominant role in the operation of business, distribution and appropriation of results of its activity (industrial - i.e. incomes of realization of made production as well as institutional - credits, emissions of the incomes etc.) is played by the executive chief of the enterprise. The construction of a statistical model of interaction of these competing forces within the framework of the given system based on the empirical data assembled by inspection of the enterprises, will allow qualitative estimates of the degree of competitiveness and the volume of status forces for each of subjects of the functional - administrative configuration. Non-uniform distribution of opportunities for realization of interests within the framework of the given configuration results in its rooted disbalance. One can introduce weights for each subject that reflect the parity between his opportunities and responsibility. The greater is the difference in these parameters for different decision-making subjects the greater is the disbalance of the functional - administrative configuration, and smaller is the degree of enterprise's integrity and its long-term efficiency. At the same time the some performance indicators can be plausible in the short-term given an unbalanced functional - administrative configuration. For example, the sale of assets can result in a rapid increase in the return on capital (to be followed by a sharp recession).

The surveys CEMI RAS show that one can assume the following conditional distribution of weights for participants of the decision-making system. The general director - 10 points, top management - 4 points, workers - 2 points, shareholders - 4 points, general meeting of shareholders - 5 points, labour collective - 3 points. Such a situation reflects a skew in the distribution of control functions and responsibility, a neglect of the interests of workers and small shareholders, and is an obstacle to the creation of competitive enterprises in a modern market economy, since it creates a ground for opportunistic behavior by all the participants.

The main tasks of institutional reforming of industrial enterprises are the coordination of volume of the rights and responsibility for each of the participants and accounting for the interests of each in the decision-making structure. The functional - administrative configuration should be balanced, to accommodate for the development of the enterprise as a wholesome market subject. The interests of the participants should be consolidated with the interests of the enterprise as independent and complete economic object.

The proposed measures to change the situation are listed in tab. 2.

Table 2.

Main directions of enterprise reform

№	Main group of measures aimed at institutional reform of the enterprise and its environment	Goals of these measures
1.	The creation of a system of internal strategic planning. Establishment of enterprise governance based on strategic plans.	Integrity of the functions of the enterprise (their fullness and effectiveness)
2.	The creation and strengthening of reproductive and innovative structures at enterprises. Stimulation, through tax breaks, of the growth in scale and scope of R&D units.	Development and integrity of the enterprise as a subject with unlimited period of operation
3.	The strengthening of cognitive and educational institutions at enterprises, fixation and	The quality of management, evolution of

	accumulation of documented and undocumented knowledge. Reorganization of personnel control services, broadening of their functions through the control of cognitive processes	technologies. Integrity of enterprise's internal environment
4.	Modernization of the system for promotion and certification of personnel through unification of the processes of personnel and division evaluation, strategic monitoring and strategic planning	Integrity of the functions of the enterprise (their fullness and effectiveness)
5.	The increase of responsibility of the general director for the functioning of the enterprise. The creation of a system of ongoing and perspective stimulation of general directors. Strengthening of the relationships between general director's pay and the enterprise's condition at stock and goods markets. The creation of an open public institution for identification of effective and honest directors of industrial enterprises and establishment of a system of privileges for such managers. Creation of symmetric institute for the formation of negative public opinion towards dishonest managers. Increase in the scope of general director's responsibility (including material) for actions detrimental to the enterprise in the short or long run.	Integrity and internal consolidation of the enterprise. Functional motivation of the director. Social responsibility of the enterprise. Greater effect of market signals on enterprise's strategy.
6.	The creation of a system of representation of technical management in the decision-making process, organization of "administrative committees" to pinpoint and consolidate interests of the management	Quality of management, integrity of the enterprise's internal environment
7.	Representation of worker's interests in the decision-making process, establishment of a permanently functioning organ that will represent the strategic interests of the collective. Strengthening of labor unions, restoration of the system of industry-wide labor unions	Quality of output, integrity of enterprise's internal environment, social responsibility of the enterprise
8.	Creation of the system of responsibility of large proprietors of production capital (enterprises) for their effective functioning. The development of the market for such responsibility.	Social responsibility of business
9.	The creation of state-patroned management training system and exchange of restructuring experience at successful enterprises. Development, approbation and spread of the system of "managerial manuals" with account of world experience and the specifics of unique Russian style of management.	The quality of management, transfer of progressive managerial and production technologies
10.	Increase in the integrational activity on enterprises, creation of "soft" industry-wide coordinating structures. Greater responsibility of newly founded enterprises. Stabilization of the	Relationships of enterprises as complete systems. Social responsibility of business.

	network of key industrial enterprises.	
11.	The creation of the institution of “people’s enterprises”. Equal competitive development of four sectors: "state enterprises" (owned mainly by the state), "capitalist enterprises" (main proprietor – one or several physical persons outside the enterprise), "managerial enterprises" (main proprietors – enterprise managers), "people’s enterprises" (main proprietors – workers).	Integrity and completeness of the internal market. Social responsibility of business. Effective use of labor resources.
12.	The change in bankruptcy legislature toward a more complete account before the decision is made for the socio-economic interests of all the participants of its productive-financial activity: enterprise and its creditors, region, industry and the state.	Socioeconomic stabilization of the internal market, social responsibility of business.
13.	Unification of tax and other environments that currently create preferences for some enterprises in some regions. Lowering of transportation tariffs for the creation of country-wide goods market.	Stronger competitive production basis. Lower market fragmentation.
14.	Creation of country-wide system of indicative endogenous strategic planning of enterprises, industries and regions	Industrial coordination, lower market fragmentation
15.	The development of corporate stock market, broadening of the competitive field for investors, active participation in the market of federal and regional governments	Greater effect of market signals on enterprise’s strategy. Social responsibility of business.

The practice of last decade has shown that institutional reform of industrial enterprises is impossible in frameworks of a separate firm. The nation-wide program of reforming of the enterprises is needed, in connection with other kinds of government policy - foreign economic, scientific and technical, statistical, social etc. As a matter of fact, the country needs “institution of microeconomic reform” is needed. This task was outlined in the middle 1990s as one of the main in the system of economic reforms (reform of the enterprises was a theme of a part of the Presidential address to the Federal Assembly in 1997). However, due to the economic recession no satisfactory solution to this problem has been realized prior to the beginning of 2000s. Now, when the obvious attributes of economic growth are evident, it is necessary to use the opportunity to realize the industrial reform. The industrial enterprises and society as a whole should receive clear signals from government and president that the interests and destiny of the Russian industry, Russian enterprises and Russian citizens are not indifferent for the Russian authorities.

In the period of development of the market relations the industrial enterprises as economic complexes, where material, financial, cognitive and human resource frameworks are united for fruitful cooperation and socially useful purposes, require the protection of the state. The population of the effective, competitive and socially responsible enterprises can arise and develop only as a result of careful and cautious cultivation under the patronage of both the state bodies and the community and society as a whole. The border of the enterprises should not be an obstacle for

distribution inside the enterprise of principles of social validity, account of interests of the society and the development of effective socio-economic institutions. On the contrary, corporate culture and the favorable climate of industrial cooperation should, spread from the enterprises onto the rest of the society. It is one of the chief missions of industrial enterprises in transition economies.