

### **SECTION 3. CURRENT ISSUES OF INTERNATIONAL MANAGEMENT AND MARKETING (EXPERIENCE ECONOMY; EVENT MANAGEMENT; ECONOMIC PSYCHOLOGY, HR-MANAGEMENT, ETC.)**

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#### **HOW TO MANAGE PERSONNEL PROPERLY: PRINCIPLES OF JACK WELCH**

In modern world economy it is widely known, that qualified employees are your competitive advantage over opponents. Keeping high educated employees, who have knowledge in various spheres and can cope with different kinds of jobs, gives your company more chances to succeed. Jack Welch, a legendary business-leader and CEO of General Electric, noticed this driving power of human resources and built an effective model of management based on it. [1; 2] Let's look through the principles of Jack Welch to understand how your staff can help you in making your company an absolute leader on the world market.

Firstly, HR department must be the most important division in a company. This department is responsible for hiring the best people, training and developing employees with the help of special training programs, preparing future leaders and decreasing employee turnover. You can recognize an efficiently working human resource department by the ratio of productivity of staff and costs on its training and development.

The next management principle of Jack Welch is related to managers and their relations with employees. A manager is a cornerstone of the company, but Welch didn't love the word "manager", he preferred the word "leader". Under the term "leader" Welch meant a person, who inspires and motivates people around him to do the job with interest and enthusiasm. Managers shouldn't get too carried away managing, because "to manage" is a wrong word. To manage better a leader should manage less, he should give people more freedom, not give detailed instructions on how to do the job and not watch them step by step. [1; 2]

Leaders can make people feel their importance for a company. They can build a good psychological environment, if they motive people not only materially, but also mentally. A good leader can find an approach to everyone. Somebody wants a non-material motivation, like social package, comfortable working conditions; others can be interested in a higher salary or cash bonuses. So a leader should be able to recover who wants what.

But what about people, who try to avoid working? Welch had only one way of fighting against such relation to the job – fire these employees. Year after year Welch fired 10% of employees, who showed the worst results. During the first five years of his work as a CEO, the number of employees in the company decreased by more than a quarter.

Retiring people, he followed the human factor accounting scheme according to which employees were divided into three categories – A, B, C – in the proportion 20-70-10. Category A he called “leaders”. Leaders are most interested in the results of their work and meet four rules of leadership: they are energetic, are able to motivate others, make complex decisions and always fulfill their promises. Category B is “the heart of the company”. These people are distinguished from leaders by only one thing – they have not such a high initiative, but are competent professionals who are able to perform the tasks which are necessary to achieve the goals of the company. And the third category – category C – “slackers”. These are people who constantly avoid working and their direct duties. 20% of leaders must be motivated by wage growth, preferential acquisition of shares of the company and the prospect of growth. 70% of “the heart of the company” can receive salary increases and share purchases, but can’t get a prospect of promotion. And remaining part – 10% of “slackers” – is a subject to dismissal. [1; 2]

Talking about dismissals, we must pay attention to the principles of measuring the performance of employees, because the main reason of their retirement is low productivity. Managers should regularly analyze the level of qualification of employees, their personal characteristics and performance. Assessing the performance of the employee, you must take into account such indicators as sales, number of implemented projects and completed transactions, profits and etc. Competence includes knowledge and skills, the ability to apply them in practice, personal qualities and behavior. And don’t forget to assess the performance objectively.

Concerning organizational structure, Jack Welch was convinced that successful management should be built on the simplest schemes. [2] An ideal company has a minimum number of layers and the structure must be clear to all employees. Everyone should know for what he responsible is and to whom he obeys. Simple management scheme makes it possible to act effectively and efficiently and speeds up decision-making process. Trying to create an organization with a simple structure, CEO of GE periodically organizes two or three-day meetings where employees discuss bureaucracy in GE. But how is it connected with managing personnel? This approach shows us, that Welch listened to the opinions of the staff of the company. [1; 2] He did this because no one can know the situation in one or another department better than people who work there.

A legendary manager of GE paid a lot of attention to the trainings and development of staff. In his company Welch organized a system of “developmental meetings”. These meetings help people gain more and more experience and get new skills and knowledge which can help to work more productive, make decisions easily and fast. Such developing system is also a strong source of motivation for employees. [2]

To make a conclusion, I can say that, according to Jack Welch, if you want to be a leader on the market, you must invest in the people, who work in your company. Hire skillful people, invest in their training and development, explain them their responsibilities and duties clearly, give them more freedom, more opportunities to grow and become leaders, listen to their opinions and your business will work.

### References:

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## HOW BEHAVIOURAL ECONOMICS IS SHAPING OUR LIVES

Economic theory suggests that people are rational, predictable and make their choices relying on rational expectations. People's decisions are the result of a careful weighing of costs and benefits. If it were true, we would always make optimal decisions. However, in real life there are many examples illustrating irrational behaviour of people and their decisions are not always optimal.

A person playing billiards hardly considers geometry and physics laws as well as we hardly use statistics and economic principles making economic decisions. People are not always self-interested, not always maximize benefits and minimize costs and have stable preferences. They make decisions with lack of information, they are influenced by other people, social norms, emotional state, changing preferences, often in response to changes in context. People's behaviour is the subject matter of behavioural economics.

Behavioural economics (BE) is economics based on life practice (experience), which involves irrationality, emotions, social standards, behavioural stereotypes. Irrationality is regular, predictable and repetitive which allows to analyse it and apply scientific methods of studying. Behavioural economics tries to search and understand when and why people behave differently than economic models would suggest.

Having studied the repetitive character of people's behaviour, the scientists have developed a number of consistent behaviour patterns:

— *The Importance of Feedback highlights experience, good news, and prompt feedback as key factors that enable people to make good decisions.*

— Loss Aversion underlines the idea that people are strongly inclined to avoid losing. Losses are more painful than gains bringing pleasure.

— Pain of Paying means that people don't like to spend money. We experience pain of paying, because we are loss averse.

— Sticking to Commitments are used as a nudge to make people willing to change their behaviour.