

NEW APPROACHES TO MANAGEMENT STRATEGY OF JSC «UBZHD»

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ABSTRACT

In view of growing needs of domestic and international freight transportation the author assesses the prospects of railway network development in Mongolia, describes in detail the content of modernization programs, elaborated by the Government of the country. The main attention is paid to budget management system, the implementation of which is proposed by JSC «Ulan Bator Railway» (hereinafter – JSC «UBZHD»). By virtue of it, centers of financial responsibility emerge, providing accountability at all levels of formation, adjustment and implementation of budgets. Focused on the experience of large companies such as JSC «Russian Railways», budgeting system is designed to help the efficient use of investments in Mongolian railway industry. Moreover, the expected result is in direct proportion to the degree of controllability of the ongoing processes.

ENGLISH SUMMARY

Background. In Mongolia, which has no direct access to the sea, rail transport is the main land means of communication. It connects the country with Europe and Southeast Asia through the Russian Federation and China and renders continuous, stable and reliable services in the field of freight and passenger traffic.

Mongolian railways were built at an accelerated pace, have a variety of curved sections, rises and falls, one track, semi-blocking, and technically and technologically they are railways of the III category.

In 1992–2002, JSC «Ulan Bator Railway» (hereinafter – JSC «UBZHD») proceeded with the modernization of Ulan Bator Railway using its own means. Following this, the Government of Mongolia has prepared short-term and longer-term development programs of the main railway line.

Objective. The objective of the author is to investigate new approaches to budget management strategy of JSC «UBZHD».

Methods. The author uses descriptive and analytical methods.

Results. The aim of the work started is to create conditions for sustainable operation of JSC «UBZHD», harmonious development of the newly created sections of roads and other sectors of the economy and modes of transport.

The long-term strategic program aims at achieving the following objectives:

- Creation of an accessible and sustainable transport system as an infrastructure basis for socio-economic growth and satisfaction of consumers demand in transportation;
- Realization of export and transit potential of Mongolia on the basis of the integration of rail transport in international transport systems;
- Reduction of total freight costs, including by improving the efficiency of rail transport operation;
- Bringing the level of quality and safety of transportation in accordance with requirements of economy and population on the basis of modernization of existing technological and technical base and introduction of advanced international standards;
- Increase in investment attractiveness of JSC «UBZHD»;

– Ensuring the right of citizens to a healthy environment in the area of railways.

The program includes two stages.

Stage of modernization of Ulan Bator railway provides for the necessary carrying capacity on the main directions of traffic, modernization of the locomotive fleet and development of new requirements for engineering and technology.

Stage of dynamic development involves creation of conditions for rapid economic growth of the country, access to world-class technology and technical condition of the railway, holding a radical modernization of infrastructure facilities.

The modernization program is also divided into two stages, the implementation of which should be carried out until 2020.

Activities at the first stage (2011–2015):

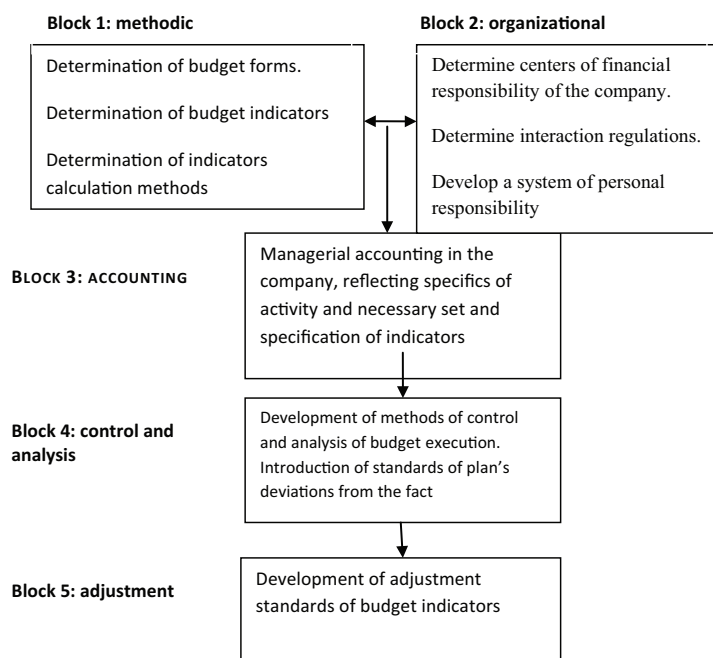
- modernization of the locomotive fleet and expansion of operational and maintenance base of the rolling stock (reconstruction of locomotive depots at sites Sainshand, Choir, Dzamyn-Ude, the construction of a cargo car depot at the station Sainshand and high-speed line);
- improvement of the track and man-made structures (major repairs and reconstruction of at least 120 kilometers of tracks per year);
- modernization of the infrastructure, including the start of construction of the second track with length of 426 km in the areas of the main course and construction of a new main track on the section Mandal-Bagahangay through Dzuunmoda);
- renewal of track machines and mechanisms;
- improvement of freight and carrying capacities of the track;
- increase in the processing capacity of border stations;
- introduction of interval traffic control without traffic lights using a satellite navigation system;
- introduction of modern information technologies;
- reconstruction of the section Sainshand-Zyynbayan;
- expanding of the junction Sainshand;
- Creation of new terminals with assistance of private capital.

Activities at the second stage of the modernization program (2016–2020):

- renewal of the rolling stock;
- reconstruction of the railway line of Bayantumen department;
- completion of construction of the second track on the sections of the main course in order to increase export and transit potential of JSC «UBZHD»;
- reconstruction of large man-made structures;
- construction of a railway line connecting Ulan Bator with the new airport and on to Kharkhorin;
- launching of rapid passenger trains on the lines of Ulan Bator-Zamyn-Ude, Ulan Bator-Darkhan-Sukhbaatar and Ulan Bator-Erdenet;
- Electrification of the section Salkhit-Erdenet.

Further there are plans to expand internal national rail network as capacity of transit transportation increases.

These serious qualitative changes should affect the management mechanism of JSC «UBZHD», making it more efficient. The changes are primarily related to the need for a phased modernization of



Pic. 1. The main directions that are necessary when creating a system of budget management.

railway transport, the organization of major investment from its own sources, and borrowed from the outside. From this point of view budget management system is of particular importance, which rigidly links the production capacity of the company with existing transport demand. An example of this, in particular, may be JSC «Russian Railways», which introduced a system of budgeting in 2004.

Budget management system is management of the company with the help of centers of financial responsibility, the impact on the production process and its components through budgets. This method allows achieving goals through the most efficient use of resources. Acting on the basis of information on the economic activity of the company, budget management system allows management to analyze and make decisions in case of deviations from the plan in the financial and economic indicators.

For the implementation of the budgeting system there is a number of prerequisites, without which it cannot exist:

- determination of budget forms, as well as aggregate plan indicators and methods of their calculation for each form of the budget;
- construction of accounting system in the context of aggregate of budget forms, adopted in the company;
- development of methods for control and analysis of budget execution;
- presence of regulations to review and adjust budgets by officials and governing bodies of the company, including decision-making procedures to regulate the deviations identified in the analysis of budget execution.

Presented in the form of schematic lined blocks, these positions are illustrated in Pic. 1.

Implementation of block 1 (definition of budget forms and indicators, methods of their calculation), in fact, is development of technology of company's business planning. Depending on its specificity,

as well as type of budget, different methods and approaches can be used.

In addition, in determining the content of budgets it is necessary to define structural units of the company or centers of financial responsibility (block 2). Interaction regulations (budget regulations) of services of management staff and departments are required, fixing in relevant internal regulations and instructions the responsibilities of each division at each stage of the budget process. Since the budget process is continuous and repetitive (regular), just as regularly in their terms the administrative apparatus of the structural units should get all specified accounting information.

On the other hand, structural units should get out of the administrative apparatus budget task and adjustments made to it during the budget period. Consequently, the most important component of the rules of the budget process is internal document flow- a set of regular counter informational flows in course of creation, control and analysis of budget execution.

In large companies, the volume of information is huge, but no matter how significant it may be, it should be processed timely. In today's business information is rapidly becoming obsolete, operational analysis of today's performance and permanent forecast for tomorrow, the day after tomorrow, a month in advance, etc. are required. The key to this is automation of the entire process of budget management.

With regard to the problem of constructing a system of accounting, it is associated with the organization of management accounting (block 3). There are two courses of action: to take accounting as a basis, tying it to the technology of budget management (in this case, periodicity of accounting documents and the content of included indicators change); or establish own management accounting at an enterprise, that is, an autonomous set of accounting records and regulations.





Implementation of another group of issues (development of control and analysis) involves introduction of standards for permissible deviations from the plan in the company (block 4), as well as the creation of a continuously updated package of typical reasons for such deviations. To identify the circumstances under which atypical causes of deviations appear methods of express analysis are proposed.

In preparing regulations to review and adjust budgets, implementation of organizational schemes for budget management step forward (block 5). At the same time officials and governing bodies responsible for making management decisions are identified.

Conclusions. All procedures and principles described above, should be reflected in «Regulation of budgeting», which will be uniform for the company. This document defines the procedure for approval of budgets and its consolidation, document forms, workflow diagrams, and the timing of consideration and decision-making at all levels of collecting budget information.

Before implementing budgeting, a financial structure should be created, which is interrelated

centers of financial responsibility. It can be built on various principles, which can differ from the principle of organizational structure. Some divisions are able to unite in a single center of financial responsibility. Conversely, within a single division it is possible to distinguish different responsibility centers (e. g., on types of products or activities). Depending on the category of responsibility center (whether it is a profit center or cost center) own set of criteria should be developed, according to which the effectiveness of various departments is assessed.

It is logical to talk about general principles of construction of budget systems, but it is the organizational structure of the company, which is a set of interrelated centers of financial responsibility, that makes each budget system unique.

The introduction of new effective forms of management for JSC «UBZhd» is not a task for one day, however, taking into account the realities of today's environment, we can say that this direction of the company development will remain a priority for a long time.

Keywords: railway, modernization, Mongolia, budget management, responsibility centers, financial structure, organizational structure, freight transportation.

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Статья поступила в редакцию / article received 31.03.2014
Принята к публикации / article accepted 12.06.2014