

ECONOMICS

DEVELOPING FLEXIBLE STRATEGIES AS A RESERVE AND A NEW ASPECT OF THE ENTERPRISE COMPETITIVENESS OF SMALL AND MEDIUM -SCALE BUSINESS

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Key words: competitiveness, small and medium-scale business, strategy, marketing, strategic management, balanced system of indices.

The paper analyses the idea and conditions of developing flexible strategies as a reserve and a new aspect of the enterprise competitiveness of small and medium scale business.

In the conditions of competition and quick changes of outside environment the strategy is the main factor in providing the competitiveness of the enterprise. In such situation wins the company or the person who can foresee better and quicker calculate different variants of doing business.

In order to evaluate business it is necessary to pay attention to the short -term financial indices (profit, profitability and etc.). For this purpose the marketing costs, work with the personnel (training and etc) that could give effect in the future are decreased. Recently appeared the notion of strategic managerial accounts, the main elements of which are: the mission of the enterprise, strategic aims, critical factors of success, a balanced system of both

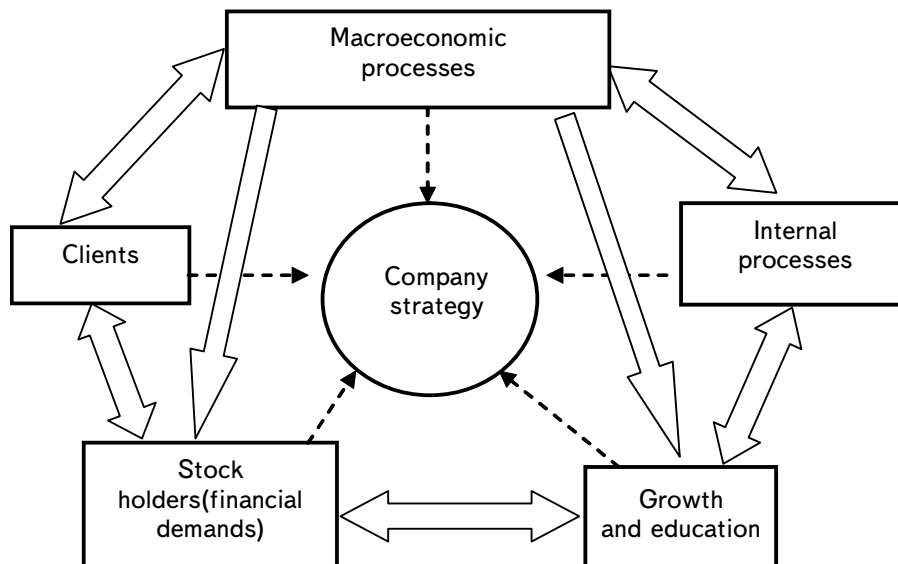
financial and non financial indices of the activity. One of the most widely used approaches to developing the key indices of activity - Balanced Scorecard, BSC (balanced system of evaluating indices) of Norton and Kaplan¹.

It should be mentioned that the model does not consider the influence of macroeconomic factors that could change the principal conditions for implementing the strategies.

In particular, there is a need to add an additional element that will be the reason for forming the flexibility element in the chosen strategy (pic. 1).

From the point of view of the owners the key indices of the activity of the upper level can be reflected in the following way (Table 1).

In order to define the level of the influence of the examined factors we can use the marks



Pic. 1. The authors model of the interaction of the balanced indices in the system of forming the company's strategy

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Table 1

The model of key indices of the activity of higher level

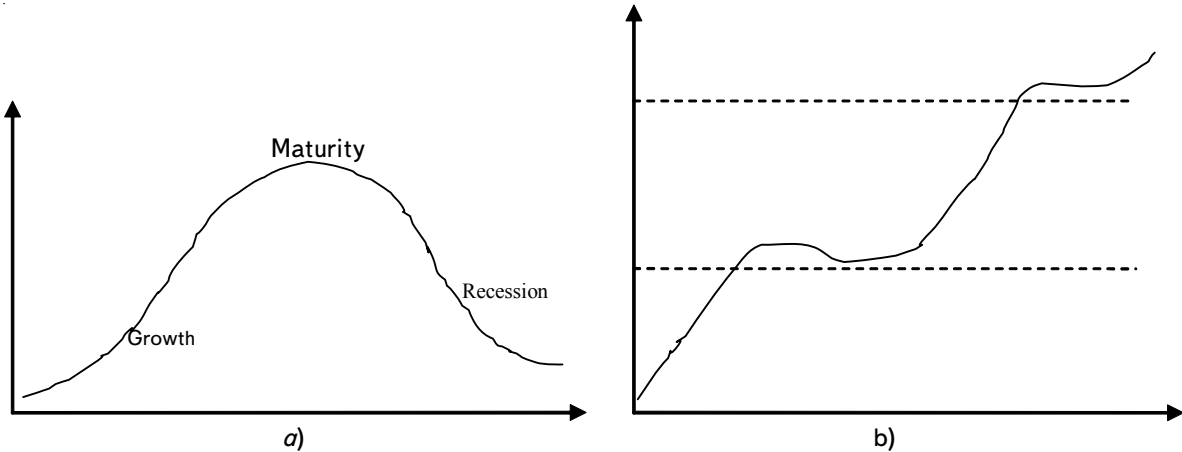
№	Performance coefficient	Measure
Financial performance coefficients		
1	Company's profitability	- Achieving the profit norm for the used capital quicker than the planned one. - The size of the internal profitability rate in relation to industry average
2	The price of company	Market evaluation of cost
3	Stable financial position of a company in a long term period	- Company's profitability - The effectiveness of the placement of financial resources. - The security of the placement of financial resources
Performance coefficients of client's satisfaction		
1	Services in demand	- Growth rates of the volumes of operations. - The quantity of consumers that came from the competitors
2	The recognition of the company	- Brand recognition - Positive associations of consumers - Te usage of the name and brand of company by the independent editors as the comparison samples
3	Clients loyalty	- The quantity of the agreements signed for the second time. - The number of clients
Performance coefficients of the company (internal processes)		
1	Depersonalization of management system	The independence of management system from the personality of the manager
2	Minimization of time for accomplishing typical and special operations	Reaction time of the system to the events in the market
3	The transparency of management systems	Typical and standard: - business processes; - activity standards; - the system of quality management
4	Dynamism	- Company growth in comparison to market growth. - Company growth in comparison to competitors growth. - Positive dynamics of the speed of growth
5	Personnel loyalty	- Staff turnover. - The number of leakage of commercial information
Performance coefficients of growth and education		
1	The dynamics of development	- The number of operations, correlated to personnel number in comparison with the previous period. - The growth of the number of office sales (subsidiaries). - The growth of service quantity
2	Development potential	- Personnel qualifications. - The application of innovations - Market cost of personnel comparing to the personnel of the competing companies - The amount of the applied effective innovations - The demand for employment in companies - The demand for company's employees from the side of competitors
3	The usage of development potential	The repetition of company's marketing and technological innovations by the competitors
Performance coefficients of macroeconomic processes		
1	The level of the activity of the competitors	- Branch attractiveness - Market capacity - Market barriers
2	Country macro economic risks	- The evaluation of insurance risks suggested by rating agencies - Taxation system - Political strategy of the long-term economic development of the country

or expert methods. The aggregated index that reflects the level of branch competition is calculated as a mean of all expert evaluations due to all factors.

Another important aspect that defines the level of competition in branch is the stage of its development. The branch, as an organization, has the following development stages: "fe-

enterprise strategy in the conditions of non stable external and internal environmental factors.

The qualitative method that makes it possible to evaluate strong and weak sides of the competitors is the method of controlling questions. They are connected with the factors of the success of the companies-competitors (Table 2).



Pic. 2. The model of forming flexible production according to the concept of life cycle
 a) traditional concept of industrial life cycle;
 b) life cycle of strategically flexible production

tus" period, growth, maturity and ageing. The main criteria that define the stage of branch development are the indices that characterize the growth rate, the potential and evolution of products and technologies. All this makes it possible to define the stage of the life cycle of the branch (pic. 2a), consequently, the position of working enterprises in competitive environment.

The most competitive and perspective are the companies that could implement all directions of

The strategy can be evaluated simultaneously as a development perspective and the model of reacting to the changes of external environment. The strategy is revealed in the competitive position, organizational structure, its values, and the peculiarities of personnel motivation and control.

In this situation there is need to get acquainted with the notion of flexible strategy. Flexible strategy - is the process of forming such integrated into the system management

Table 2

Numeral estimation of the index of strategic competitiveness of the company while implementing flexible strategy

Estimation parameters	Estimation								
	Bad			Satisfactory			Good		
	- 4	- 3	- 2	- 1	0	+ 1	+ 2	+ 3	+ 4
Flexible industrial potential	+								
Adaptive potential to sales			+						
Efficiency						+			
Financial potential								+	
Organizational potential							+		
Effective motivation					+				
Innovative potential						+			
General business efficiency				+					
Costs for raw materials							+		
Not realized expenditures								+	
Operational costs									+

strategies, the use of which makes it possible for the company not to decrease the development rates.

It is possible for the corporation to achieve the set strategic goal only if the external and internal parameters are stable.

Making the financial and economic indices similar to the chosen system of balanced indices, the company has a chance to be on the way to achieving its goals.

Implementing the corporate strategy is targeted at achieving strategic goals, i.e. putting into life the mission of the corporation. The moment of achieving the goal and implementing the mission can be traced by comparing the targeted indices of enterprise activity with the present ones. If the balanced system of indices at present is similar to the indices showing the implementation of the aims of the corporation, and it means that the aims are achieved and there is a possibility to consider the new ways of company development and form new mission. While implementing the strategy in time there is a necessity to trace the correctness and balance of the formation of the structure of company indices. For this in control time points it is possible to compare the parameters of a balanced system of indices $1K, 2K, 3K \dots NK$ with targeted indices. If the external and internal environment of corporation is stable, the implementation of such a strategy is not difficult.

In case there is a change in the legislation of the country or if there are force majeure cir-

cumstances, the static strategy is not an effective instrument of company development. "Flexible strategies" is the variety of all the ways of implementing the effective strategy of achieving the final goals in the system of changing external and internal environments.

Determining strategy efficiency in time and achieving the control points could not be described by the standard number of coefficients or a deterministic model.

While defining the efficiency and the rationality of flexible strategies there is a necessity to use the correlative stochastic models. Achieving the positive effect in the "control point" can be described by the stochastic type of the equation.

$$S_{ob} = f(x_1; x_2; x_3 \dots x_n),$$

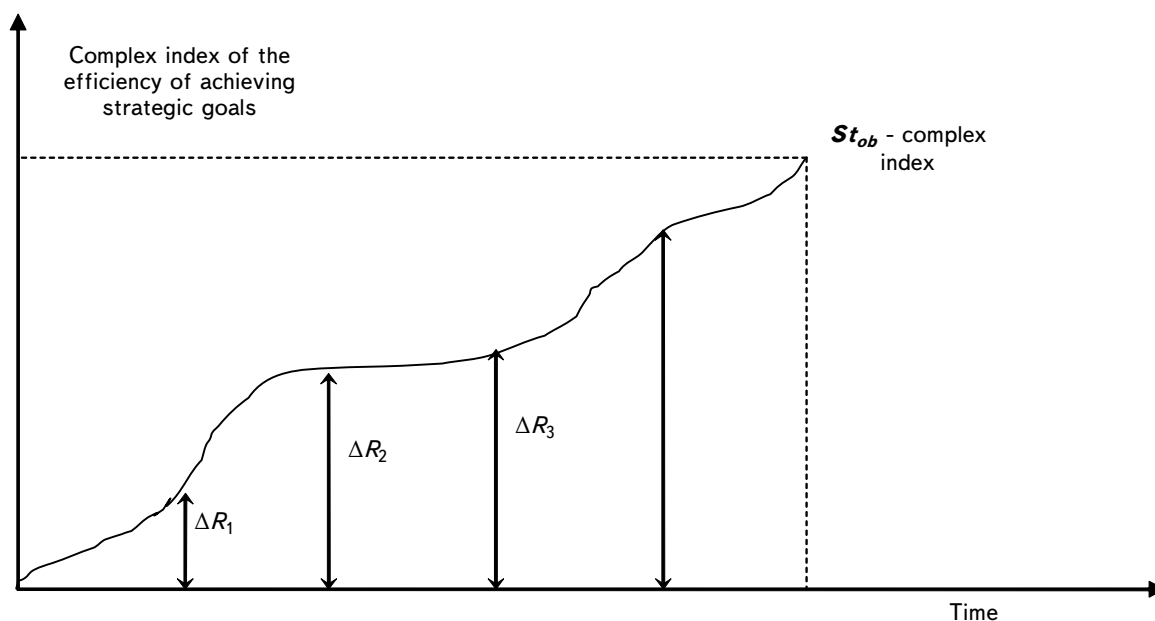
where S_{ob} - complex coefficient, determining the efficiency of a flexible strategy.

$x_1; x_2; x_3 \dots x_n$ - group of parameters, determining the efficiency of implementing the strategy in time.

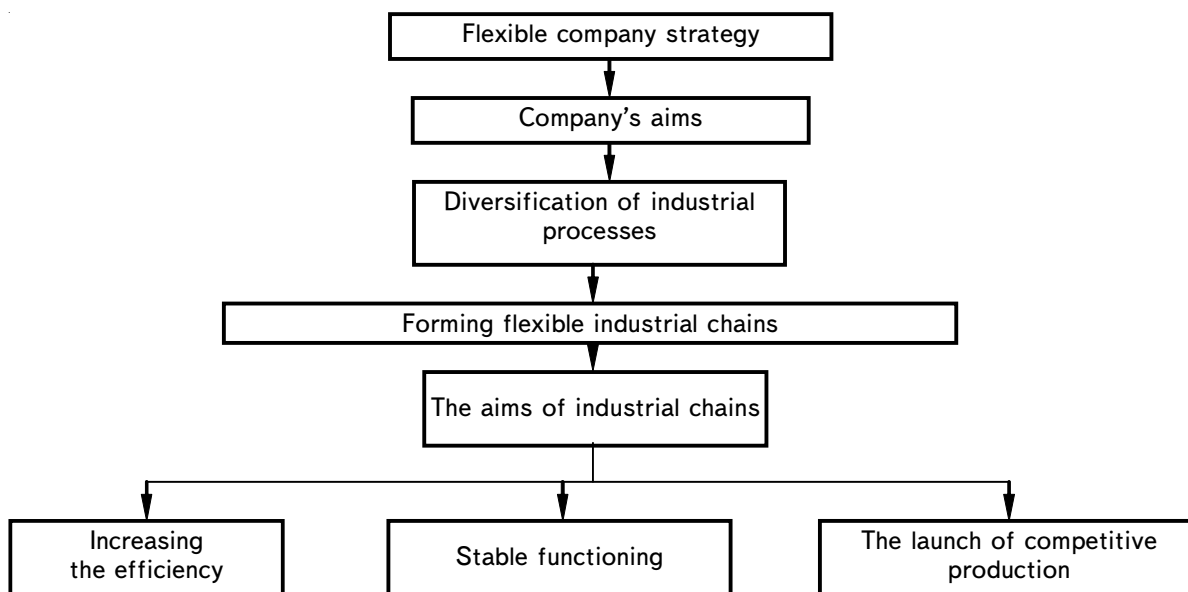
The type of the stochastic model and the group of parameters, determining its efficiency are determined by the expert way for each enterprise.

Flexibility can be defined as an effective ability of a company to develop in time..

If we treat financial indices as the characteristics of high flexibility of production, reflected in Form 2 of financial reports, the efficiency of industrial activity in the conditions of changing production environment will be characterized by the growth rates of indices.



Pic. 3. The graph showing flexible development of company in time



Pic. 4. The author's model of industrial chains taking into account company's aims

The changeability of the enterprise as the aspect of its strategic flexibility is defined, firstly, by the speed of getting the results necessary for successful functioning, i.e. the ability of the company to adapt its assets to market demands and current circumstances (pic. 3).

If we treat the rates of increasing profitability as the indirect index, then the change of profitability for a very small time period will make dR :

$$\Delta R_{20\partial} = R_{\text{КОН}} - R_{\text{НАЧ}}$$

The characteristic dependency can be represented as

$$dR = f(x_1, x_2 \dots x_n) dt$$

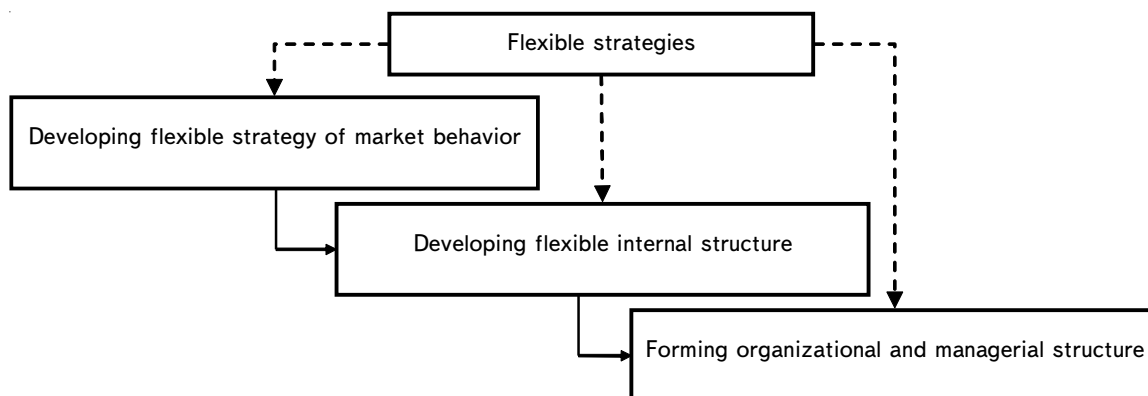
As a consequence profitability index can be determined as:

$$R_x = \int f(x_1, x_2 \dots x_n) dt$$

Final index value will be represented as the integral from the changed index dt .

For industrial enterprises the flexibility of managing the turnover capital can be defined mainly as the ability to shorten the industrial and financial cycle. Efficient organizational policy and personnel motivation are of great importance.

Special questionnaire was created for the research, that will make it possible to calculate the specific value of the influence of various organizational factors in the system of successful enterprise functioning. The object of the analysis were industrial enterprises of Togyatti, the subject of the research were the data on the organizational structure and the efficiency of the enterprise activity, their objective economic indices and the reports of the employees. The questionnaire was filled by the managers, the owners and



Pic. 5. The author's model of the process of developing flexible strategy

top employees. The results of the questionnaire were summarized in a final table.

Having reduced the data from a table to a common denominator, when the final meaning will be the unit, we will have the following equation:

$$M_{FC} = 4,38 \cdot B_{np} + 5,25 \cdot R_K - 4,87 \cdot K_{TP},$$

where M_{FC} - a parametric model of a flexible corporate strategy;

B_{np} - the coefficient of implementing the plan (budget) of production;

R_K - return on equity;

K_{TP} - the coefficient of staff turnover.

The following model gives us the idea how important is the value of industrial, financial and social component of industrial corporation in time, i.e. how flexible is the strategy of corporate development..

The formation of the organizational structure of corporation is one of the main principals of corporate management.

In order to create a corporation it is necessary to unity the enterprises of one technological chain and create such productional structure when the system of managing the industrial process will be simplified (pic. 4, 5).

In most efficient corporations the strategy is chosen due to the forecasts of the developments of the markets of the launched production, evaluating the potential risks, the analysis of financial and economic situation and the efficiency of corporate management, as well as the analysis of strengths and weaknesses of corporations.

The efficiency of the influence of management on the economic growth of the enterprises depends on what the investments and programs are targeted at, and how planning and monitoring is accomplished.

¹ *Kaplan S. Robert, Norton P. David. A balanced system of indices: from strategy to activity. M., 2003.*