

STRATEGIC MANAGEMENT OF THE PROCESS OF STABLE INDUSTRIAL DEVELOPMENT: MAIN TENDENCIES AND PRINCIPALS

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In this article the authors view different ways of forming the strategic management of the company, they also defines the main inner and external factors that could influence the measure of strategy in management process. The authors formulate the main tendencies in manufacturing developing and choose its common and specific features.

The present architecture of business-environment shows that such aspects of the activity of successful companies as strategy, strategic vision, strategic planning make the important part of the infrastructure of management systems.

It is possible to distinguish a number of tendencies that reflect the development of industrial and economic relations.

1. One can observe the transfer to the open model of strategic management targeted at the integration of the economy subjects, business globalization and alliances creation. The products of joint ventures and financial and industrial groups become an important factor of competition at national markets. It is possible to survive in a competitive environment only if you develop and apply the strategy of functioning in a competitive environment.

Thus, the producers may concentrate their efforts on producing highly competitive goods and in the future increase the quality of the exported goods. However, business strategy should not contradict to the general concept of the company and develop in accordance with market development. Here appears the problem of the balance between the activity inside the company and the external environment.

This problem can be solved by creating an organizational form mainly in the form of a net, the strategic basis of which are various establishments linked to both internal and external markets. The heterogeneous system formed on such links is based on strategic alliances and collaboration between corporations, decentralized parts of big companies, small and medium-scale enterprises, united inside the net between each other and big corporations. In modern conditions they make the nuclear of the development of national, regional and world economy. Therefore it is necessary to make a con-

clusion that the stability of company's development is possible if its subdivisions are targeted at flexibility. The executive management of the corporation should be competent in the problems of market and product development.

2. The model of open economy, mainly represented as a net, assumes the process of forecasting the parameters of external environment, the range of products and services, markets, and what is most important, defining its long-term aims and the strategies of how to achieve them. The transfer from short-term vision of business-development to medium and long-term scenarios, from forecasting the development of separate indices (volumes of sales, production costs, other indicators) to the integral concept of development makes it possible to achieve the integrity of interests and aims between the subdivisions of a firm and independent producers.

The organization of strategic management was established and developed in conditions when there were neither clear corporate aims nor a well-developed plan of their implementation, and industrial and commercial activity was targeted at achieving enterprise capitalization by any means. This concept became the main criteria in industrial and commercial activity of companies and influenced the short-term character of the development of economic subjects. Being targeted at short-term aims many corporations have lost their market share, failed their industrial and commercial activity and went bankrupt. That is why the necessity to develop a long-term strategy of company development became evident¹.

The process of switching to long-term goals is reflected in the attitude to the development of innovational and investment activity. Investments in modern equipment and technologies contribute to

* Alexander P. Zhabin, Doctor of Economics, Professor, the Rector Of Samara State University of Economics; Sergey G. Vagin, PhD in Economics, associate Professor of Samara State University of Economics.

strengthening the competitiveness in a long-term perspective.

3. The strategy of managing industrial and commercial activity allows the economy subjects change business ideology, switching from the command and administrative management style to the idea of first satisfying the consumers' demands. This concept is targeted at increasing the flexibility of strategic decisions.

4. Effective management causes the increase of flexibility in relation to external environment and the balance with the processes inside the company. This idea of strategic management assumes creating a balance between strategic and current work of producers. It means that, on one hand, the company should remain competitive in its own market share and, on the other hand, there is a need for the enterprise to examine modern directions of development in order to plan its activity in the future. As a consequence, the balance between the present industrial and commercial activity and development strategy makes the necessary conditions for developing and implementing innovations in production that in the future will lead to stable production development.

5. There is differentiation of activity, products and diversification of markets connected with integration and globalization. Growing competition, new technological opportunities, foreign capital entering the market and market globalization led to high turbulence of environment and caused a necessity to adapt the enterprises to strategically important changes of external environment. In such conditions the strategic reaction of producers is transformed into diversified and integration processes that will make it possible to make the necessary changes targeted at strengthening its positions in the market. As a result of broad diversification, multi-branch complexes appeared in economy that could activate the production of the goods that were of great demand in different markets. This makes it possible for national producers to invest the capitals in more profitable business spheres simultaneously reducing the degree of risk. As a consequence, business globalization leads to the situation when the following factors are important for successful business development: secure position of producers in price competition in a global scale; strengthening the company's innovation activity and their desire to increase production quality, the use of new mass media for promoting production in the market, supporting the company's

image.

6. Products differentiation and transfer to the situation when the firm is functioning simultaneously at many markets contributes to the change of market with free competition to monopolistic and oligopolistic competition. In such situation the perfect competition represented by many sellers and customers is changed by the monopolistic and oligopolistic competition. Traditionally, there are four possible competitive structures of markets: perfect competition, monopolistic, oligopolistic and monopoly. The analysis of competitive structures allows to make some conclusions about their behavior in the market. Firstly, the dynamics of most markets can be characterized by unstable functioning and unstable behavior of producers. So monopolistic competition and oligopoly are intermediate between perfect competition and monopoly. But they differ from each other. Monopolistic competition means that there is a great number of sellers, when each of them is too small to dictate monopolist prices. In oligopoly there is a limited number of big subjects operating in the market².

The transfer from internal competition to the external one leads to increasing the number of market participants and the growth of competition. Consequently, free external competition that forms oligopolies is good for all the parties participating in it. Thus such tendency very often leads to strengthening the internal competition and contributes to entering the international markets. In this case the role of globalization is in the search for a new position of strategic balance in the conditions of international interrelations and interdependency of producers.

The distinguished objective and general tendencies of organizing strategic management are revealed in more frequent tendencies. Thus the transfer to open model of strategic management aimed at strengthening the flexibility of industrial and commercial activity causes the necessity of making structural changes that will lead to: providing balanced correlation of centralization and decentralization of the process of making managerial decisions; eliminating some hierarchical chains of management because of less demand in administration; developing self-government; transfer from traditionally separate implementation of functions to their integration. Big organizational structures of corporate type are formed in business: holdings, trusts, industrial and financial groups and other forms of management.

Business globalization leads to eliminating the differences and preferences and standardization of consumption. Simultaneously there is a process of forming the company's image and the increase of its competitive advantages.

Next specific tendency is forming the employees of a new kind, having complex knowledge and a personality of a manager who in a difficult situation can make nonstandard decisions able to strengthen the positions of a company. Managerial decisions are made according to the information got in the process of constant experiments and monitoring and strategic planning of company development.

The distinguished objective tendencies are reflected in the principals of stable development. At present there is no integrated system of the principals of stable development of producers and no final system of commodity-money relations. Therefore there is a necessity to develop both general principals of stable development and specific rules of managing industrial and commercial activity of producers³.

If we treat stable development as a balanced interaction of various factors, the activity of producers is influenced by general objective tendencies determining market interaction. The complexity of modern production and the necessity to achieve the strategic aims of the enterprise needs the collective activity of all subsystems, the synchronization of the activities of all subsystems at the continuous change of internal and external factors. High speed of changes causes the necessity to make constant corrections between the strategic and operative work of the company. So there is a need in managerial resources aimed at joining entrepreneurial and current competitive activity. This also can be reached by following the principals of the strategy of stable development. The content of the principals is defined according to the objective tendencies of organizing the strategic management of producers' activity. The following principals should be followed for the stable development of production:

- ◆ general principals, reflecting the basic tendencies of stable production development;
- ◆ principals reflecting specific characteristics of developing separate subdivisions of production in the unpredictable situation.

The important basic element of strategic management is defining the aim and the desired result of the activity of producers. The necessity of ap-

plying the principal of the balance of strategic, tactical and operative aims is caused by the necessity to provide the dynamic balance between strategic and current development problems. The producers face the necessity to support the equilibrium between the current and strategic activity. The choice and setting the aim often needs the contradiction of current and strategic aims. For example, the choice between the environment protection and high level of income.

Overlooking these problems decreases the probability of stable development. That is why there is a necessity to increase profit by constant renovation of the applied technologies that will make it possible get additional profit without decreasing income, salary and increasing prices. In the conditions of high turbulence there is acceleration of the producers' activity among the innovation technologies. Consequently, the implementation of strategic aim depends on the way of its development. Thus this principal assumes the choice of a certain strategy that will guarantee the equilibrium of a company with external environment preventing future dangers and making all the necessary transformations (structural, technological, financial) in time⁴.

In the principal of a balance of internal company's interests with external environment the following tendencies of organizing strategic management are concentrated: defining the long-term aims of development and the strategies of their achieving, strengthening the flexibility in a turbulent environment, correlation with internal company's processes targeted at adapting the economy subjects and transfer to the open model of strategic management. Implementing this strategy in practice is characterized by high uncertainty and turbulence of the functioning of producers both in conditions of the open model of strategic management and in the markets with different competition structure. This principal is closely connected with the previous one, because in a complex environment the disbalance of strategic aims of the companies contribute to the overall instability.

That is why the strategy inside the company should be targeted at the demands of other systems, cooperating for this with various market participants. As a result the possibility to target at long-term goals appears that will finally guarantee the competitiveness of the companies. This principal means that the balance of interests guarantees the penetration into international markets, strengthening there competitive advantages, establishing

the necessary market relations with other market participants, finding the necessary compromises and establishing the rules of behaviour regarding other economy subjects. In such scheme of strategic planning the main parameters of the activity of producers are defined after receiving the information about the markets, competitors and other factors, providing the dynamic balance between the internal company interests and external environment.

The economic growth and strengthening the positions in international markets make it possible to develop the experience of industrial and commercial activity on the competitive basis. This leads to finding new resources and strengthening the main elements of producers' competitiveness and to the increase of social and economic indices.

This model of strategic planning contributes to quick adaptation to the unpredictable and changing conditions of social and economic environment. The implementation of this principal, firstly, stimulates the producers to carry on some industrial and commercial processes simultaneously, secondly, stimulates to improve professional level, thirdly, there is process of forming the managers of a new type.

The processes of globalization and integration lead to redistribution of the forces of market participants. In order to save and strengthen their positions and competitive advantages in the market, corporations participate in mergers and acquisitions, temporary strategic alliances and transnational structures. At present secure positions of national producers in price competition with foreign companies both in global scale and in a domestic market, it strengthens the innovative activity of national producers, increases the competitiveness of goods and services, and contributes to the promotion of national production in the market. In this process the active role belongs to the state, that by protectionist measures, the taxation mechanism helps to strengthen the position of companies targeted at export.

Thus the principals of business integration and globalization and rational structural and financial balance target the activity of producers at overcoming functional disunity of industrial and economic process and integration in such a way that in the process of developing important strategic decisions various points of view and alternatives should be taken into consideration. Achieving the main goal of globalization (the tendency to optimizing the results of industrial and commercial activity) can be accomplished by adapting the re-

sources and aims of the enterprise to the abilities of global market. In such approach business globalization strengthens competitive advantages that contribute to decreasing production costs both at world and domestic markets.

The character and the content of specific principals of stable development is revealed in the study of the specific character of the processes of social and economic development. At present time the social and economic situation in Russian Federation is characterized by the stability of economic growth and this factor influences the functioning of national economy and its subjects. In relation to this, to our mind, there are the following main specific principals:

- ◆ the principal of structural and functional transformations, leading to forming the companies of market type;

- ◆ the principal of eliminating distinct differences and preferences in business, that will lead to the standardization and unification of consumption;

- ◆ the principal of forming the personality of a manager of a new type, able to react quickly to the changing market environment;

- ◆ the principal of information and communication support of the process of making managerial decisions.

In order to satisfy the demands of specific principals it is necessary to analyze both the internal possibilities of the company and external competitive forces and the search of the ways to use external opportunities taking into account the specific character of the company. We think it is possible to conclude that specific principals can improve the reaction of the enterprise on market dynamics and competitors' behaviour. Moreover, the principal of information and communication support decreases the uncertainty of the company's functioning and strengthens the competence of management in the process of making competitive managerial decisions.

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² *Ansoff I.* New corporate strategy. SPb, 1999. 416 p.

³ *Belkovskiy A.N.* Competitive strategy and Russia (the point of view of M. Porter) // Management in Russia and abroad. 2004. №4. P. 3-8; № 5. P. 3-10.

⁴ *Tompson A., Stickland A.* Strategic management. The art of developing and implementing the strategy. M., 1998.