



*Microeconomics*

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**STRATEGIC MANAGEMENT  
AS A FUNDAMENTAL ELEMENT  
OF THE CORPORATE MANAGERIAL SYSTEM**

**Abstract**

The significance of strategic management within business management is highlighted in the paper. The definitions of management and strategic management are analyzed; the author's definition of strategy is put forward.

**Key words:**

Classification criteria of the notion of strategy, corporate management, economic nature of an enterprise, essence of strategy, strategic management.

Strategic management is a major constituent of anti-crisis management since it allows to detect in time external threats and opportunities for an enterprise, strong and weak sides of its productive and economic operations, as well as to elaborate a system of crisis-preventive strategies on the basis of situation assessment.

The growth of labour productivity and the saturation of market with high-quality high-technology products observed during a recent decade added a new

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feature to competition – the main propulsive force of the market economy. Only through implementation of new development strategies and continuous application of innovation processes in every sphere of operations, an enterprise can succeed in competitive struggle. This determines the topic of the paper.

The essence, significance, and targets of strategy and strategic management were studied by a number of foreign and domestic scientists such as P. Doyle, R. A. Fatkhutdinov, M. Kh. Meskon, M. Albert, F. Hadowri, V. S. Solovyev, W. Breddick, K. Lichko, S. Anikeev, J.-J. Lambin and others. However, the problems of business development and strategy realization in modern economy are gaining more consideration in both theoretical research of economic science and practice of business professionals. Therefore, the paper aims at determining the importance of strategic management within corporate management, analyzing the definitions of such notions as «management» and «strategic management», as well as presenting the author's definition of strategy.

Strategic management is predetermined by the company's strategy, to be more specific – by the system of strategies, which includes a series of specific interrelated strategies. Proper strategy is at the same time the first and foremost result and the most efficient mechanism of strategic management because it mobilizes the use of scientific and technical, production and technological, financial and economic, as well as social and organizational potential of a company within directions that promise to be successful.

Strategic management is not a separate process, but an organic part of an overall corporate managerial system. A strategic management cycle is long-term. It involves several cycles of operational (medium-term) management, which includes several cycles of current (short-term) management, providing, therefore, a permanent strategy realization. In the course of strategy realization managerial tasks are refined and conveyed from a strategic management contour into the operational management and, subsequently, into the contour of current management. Therefore, the strategic, operational, and current management are similar in terms of a managerial mechanism (a system of mechanisms) that includes economic, motivational, organizational, and legal mechanism. The creation of an effective managerial mechanism is, along with strategy development, the most important result of strategic management.

Assuming that strategic management is based on the system of strategies, it would be feasible to examine the etymology of the very notion of «strategy».

«Strategy» (Greek «strategeia»: stratos – army (line, level), ego – I lead (behavior, movement) – is a direction line of an army's movement (actions, behavior). Thus, literally, a strategy can be denoted as a direction of an army's movement, a line of an army's behavior (a current action plan)... Consequently, a «strategy» is the general direction, general path («route»), or general line of a stepwise achievement of an objective, i. e. the main, leading direction of movement in order to obtain certain goals [1, p. 66–67].

Considering domestic and foreign literature, we can single out three classification criteria, based on which the definitions of strategy given by different authors vary:

1. Strategy as a program, a plan, a trend;
2. Strategy as an action, an activity;
3. Strategy as a method.

The majority of economists, including M. Albert, M. Breddick, K. Lichko, M. Meskon, J. Strickland, A. Thompson, R. Fatkhutdinov, A. Chandler adhere to the notion of the strategy as a program or a plan.

The definition by J. Strickland and A. Thompson, which describes strategy as a plan for corporate management, is the most comprehensive one in this case, since strategy is mostly the category of management.

Such economists as B. Karloff, A. Khrynyuk, N. Eriashvili can be found among the followers of strategy as an action, an activity.

These definitions are based on the philosophical interpretation of the notion of «activity». Activity is a unity of objectifying and de-objectifying. It is instantly changing from the form of acting potential ... into a form of material transformation, and v. v.

As a result, the strategy is regarded as the analysis and synthesis of actions: research – development of strategy – realization of strategy. That is, initial elements, researched separately are combined in order to develop a strategy, which later would be subdivided into actions necessary for its realization, i.e. for the change of the elements under research. Hence, the main focus of these definitions is an action (activity) as a keystone of strategy.

The third trend is the interpretation of the notion of strategy as a method. According to S. Anikeev, the strategy is a combination of resources and skills for achievement of an objective. A. Pushkar and A. Trided interpret the strategy as a way to realize corporate interests.

Thus, the analysis of «strategy» definition brings forth the following conclusions:

- the notion of strategy is multidimensional, and interpreting it from the perspective of a single aspect is not correct;
- the strategy must presume the direction of action, the very action, and the objective.

Thus, the most comprehensive definition of the notion of «strategy» from the strategic marketing perspective belongs to A. Thompson and J. Strickland: «Strategy is a plan of managing a business, aimed at its position strengthening, consumer satisfaction, and achievement of the set objectives» [2, p. 11].

In view of the above, it would be reasonable to formulate the author's understanding of the strategy as the multidimensional category.

Strategy is a direction of business activity based on combination of an organization's resources and competence aimed at gaining competitive advantages in the market.

Modern theory uses various economic techniques, models, algorithms, and methods for planning and organizing business activity. However, only a minor part of the advanced economic instruments is put into practice by domestic companies, which can be the result of low demand for such instruments under the modern Ukrainian conditions, as well as low professional qualification of the corporate management. As J.-J. Lambin points out, «the strategic thinking of a company should be incorporated into the program of actions, which refines the strategic objectives and determines the means for realization of the chosen strategy of development. In a short-term outlook, the success of the company is primarily predetermined by the financial balance. In the long-term outlook, its survival and development depend on the ability to anticipate changes in the market in time and adapt its structure and range of product portfolio correspondingly» [3, p. 547].

Management begins with strategy. There is a variety of interpretations for strategy, though its main purpose is to demonstrate what will be the subject like in the future. The strategy enables to outline the landmarks of development. Without any elaborated strategy, the top management handles the business «manually», following the interests of certain lobbying groups. Western economists are always positive about the strategic planning as it makes forecasting possible. According to F. Kotler, strategic planning is a «managerial process of creating and maintaining the strategic compliance between the goal and potential opportunities» [4, p. 538]. It is based on a precisely formulated program statement.

Nevertheless, the national scientists acknowledge that the questions of strategy development do not have a proper place in the operations of national enterprises and, therefore, are ignored [5, p. 3].

While researching the economic nature of an enterprise, R. Coase came to the following conclusion: «...The company's existence is possible only when the very-short-term contracts are unwished for» [6, p. 35]. Therefore, an enterprise cannot be a closed system and can only exist under reproduction. In this case, the marketing activity is called for ensuring continuous consumer-oriented reproduction, which, in its turn, would ensure its sustainable and long-term standing on the market.

A. Thompson and J. Strickland state that «the elaboration of the company's strategic vision and mission, the development of goals, and the choice of strategy are the chief tasks in choosing the lines for directing the corporation. They plan the directions of organization's movement, its short- and long-term ob-

jectives, as well as the steps and actions to be performed in order to achieve the planned results» [2, p. 29].

V. S. Solovyev indicates that within the concept of systemic social organization of society it would be reasonable to replace the notion of «strategy» with the systemic notion of «strategic management» which reveals the essence of this type of managerial activity more accurately and correctly and represents the subsystem of various classes and types of managerial activity» [1, p. 70].

In view of the hypothesis of V. S. Solovyev, it is necessary to analyze the essence of the notion of «strategic management» and to compare it to the notion of «strategy» analyzed before as well.

D. Aaker acknowledges that « the process of strategy elaboration and implementation has been discussed for many years. It was called differently – budgeting, long-term planning, strategic planning, and strategic market management. All the notions enumerated are similar in terms of their essence and often are used as synonyms. However, when considered in... perspective, the distinctions become obvious» [1, p. 30].

In view of this, D. Aaker systematizes the evolution of managerial systems that allows to identify and evaluate the nature of these distinctions, as well as to determine a system of factors, which induced these differences.

Thus, the corporate strategic management is a comparatively new and extrinsic process for the Ukrainian economy. The necessity in its use was caused by the economic reforms, which resulted in transition from the planned economy with its centralized strategic management of the whole branches of production to the market economy, in which enterprises act as independent economic entities. When analyzing the evolution of managerial systems, it is worth noting that the main factor for evolutionary processes is the increase in dynamics and ambiguity of the external environment, which forces companies to transform existing corporate managerial systems continuously.

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