
New Possibilities and Tools for Corporate Strategic Management for Supporting its High Competitiveness and Economic Effectiveness

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Abstract:

The purpose of the article is to determine new possibilities and tools for corporate strategic management and to substantiate the necessity for their usage for supporting a company's competitiveness and economic effectiveness in modern Russia. The information and analytical basis of the research consists of the materials of the Report on global competitiveness for 2016-2017, prepared within the World economic forum. For verification of the offered hypothesis, the methods of deduction, induction, synthesis, systemic, problem, and structural & functional analysis, as well as analysis of causal connections, and the methods of modeling and formalization were used.

Because of the research, a conclusion is made that imperfection of the process of strategic management is a reason for low competitiveness and economic effectiveness of modern Russian companies. To solve this problem, the authors substantiate the necessity for applying the principle of interactivity, which supposes consideration of new possibilities and usage of leading tools in the process of corporate strategic management and develop the recommendations and offer an interactive model for strategic management of a modern company in modern Russia for the purpose of supporting high competitiveness and economic effectiveness of domestic entrepreneurship.

Key words: strategic management, professional standards, personnel management, company competitiveness, economic competitiveness.

JEL Classification Codes: D41, L12, L22, L26.

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Introduction

In the conditions of open market economy, a modern company functions in the dynamically changing external environment, and the flexible approach to management of corporate business processes predetermines the variability of internal environment. Thus, makes it impossible to support its high competitiveness and economic effectiveness of a company, the strategic management of which is based only on experience and tools which were applied previously but are already old morally and physically.

Modern Russian entrepreneurship has two following characteristics. The first is reduction of the indicators of financial activity's efficiency in corporate accounting, due to which most companies in Russia are officially failing. The main motif here consists in the striving to reduce the obligations for tax payment and require state support.

Another characteristic is connected to the Russian companies' inability to compete with foreign companies, which leads to long-term implementation of the state policy of protectionism, which limits the action of the market mechanism and artificially strengthens the positions of Russian manufacturers in internal markets. Both these characteristics show low competitiveness and economic ineffectiveness of Russian companies.

The working hypothesis of the research is that the cause of this problem is usage of old tools for strategic management in the modern Russian companies. It is since in a lot of leading developed countries the level of taxation of business is higher than in Russia, but they do not have a tendency for the artificial transformation of companies into failing ones, and the policy of protectionism is replaced by the policy of free trading which stimulates competition in sectorial markets and stimulates the intensive development of business.

The purpose of the article is to determine new possibilities and tools of corporate strategic management and to substantiate the necessity for using them for the purpose of supporting its high competitiveness and economic effectiveness in modern Russia.

Literature Review

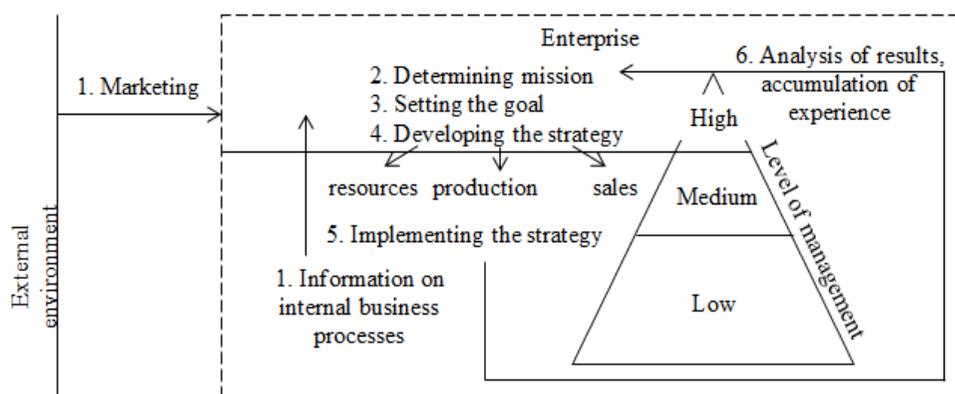
The research was performed on the basis of publications on the issues of strategic management of a modern company, which include (Havlicek *et al.*, 2013; Arunruangsirilert and Chonglertham, 2017; Eissmann *et al.*, 2017; Baumgartner and Rauter, 2017; Tonysheva and Chumlyakova, 2016; Amberg and McGaughey, 2016; Martin *et al.*, 2016; Engert *et al.*, 2016; Simon *et al.*, 2014; Shen *et al.*, 2014) competitiveness and economic effectiveness of business (Kaur *et al.*, 2017; Niaki and Nonino, 2017; Kamp and Parry, 2017; Bogoviz *et al.*, 2016; Kravets *et al.*,

2014; Bezrukova *et al.*, 2013; Westerlund *et al.*, 2017; Vlachvei *et al.*, 2016; Laitner *et al.*, 2013; Heise *et al.*, 2013; Kossova *et al.*, 2014; Thalassinou *et al.*, 2012; 2013; Zobov *et al.*, 2017; Setyawati *et al.*, 2017; Bondarenko *et al.*, 2017; Breckova, 2016; Akopova and Przhedetskaya, 2016; Sibirskaya *et al.*, 2016; Sihua *et al.*, 2015; Theriou, 2015).

Methodology

Based on studying the existing research and publications in the sphere of strategic management of a modern company, the following simple theoretical model of this process was prepared (Figure 1).

Figure 1. A simple theoretical model of strategic management of a modern company



This model is used as a theoretical platform of studying the process of corporate strategic management. The information and analytical basis of the research include the materials of the Report on global competitiveness for 2016-2017, prepared within the World economic forum. Article 11 of the national competitiveness (Business sophistication) is the indicator of effectiveness of strategic corporate management in the country. The indicator of success of doing business in this report is evaluation of the following criteria:

- number of local suppliers;
- quality of local suppliers;
- state of development of cluster processes;
- character of competitive advantages of companies;
- width of the chain of added value;
- control of international distribution of goods and services;
- intensity of improvement of the production process;
- activity and width of marketing activity;
- readiness to delegate the manager's authority.

For verification of the offered hypothesis, we use the method of deduction, induction, synthesis, systemic, problem, structural & functional analysis, and analysis of causal connections, as well as the method of modeling and formalization.

Results and discussion

In 2016-2017, effectiveness of strategic corporate management in Russia (indicator “business sophistication”) was assessed with 3.8 points out of 6 within the World economic forum. According to this indicator, Russia was ranked 72nd in the world (Schwab, 2016). A reason for such low effectiveness of strategic management by domestic entrepreneurship was low value of all evaluation criteria.

This shows serious problems of strategic management of modern Russian companies. The performed analysis of its specifics allowed determining the main problems of strategic management of modern Russian companies which are systematized and grouped according to the stages of such management.

At the stage of information collection on internal business processes, such problem, which is peculiar for large business, is large complexity of the organizational structure. Due to this, each employee is responsible for a very narrow sphere of actions, which does not allow them to see the picture overall. Medium-level managers, whose authorities and liabilities often cross, work randomly, their actions are not coordinated – which does not allow them collecting information from employees and passing it to the management (higher management).

Another problem is that the authoritarian style of management of most large Russian companies is shown at this stage. The initiative of employees is not welcomed at a lot of companies, with the mechanisms for its manifestation lacking – in particular, there’s no feedback, i.e., in case of employee’s receiving important information on the company’s activity and his wish to inform the management about it, he does not know who to address.

At the stage of marketing, the problem that is most peculiar for small and medium business is lack of resources for large-scale marketing research. Here we speak of financial and human resources – as a rule, small and medium business cannot keep a whole marketing department, so marketing research is left for one person, capabilities of whom are very limited. Without the necessary information on internal and external situation in which the company finds itself, the manager develops the strategy blindly, which leads to high risks related to incorrect managerial decisions.

At the stage of mission determination and goal setting, the main problem is weak innovational component. Opposition to innovations in Russia comes from traditions’ dominating over innovations, due to which the managers of modern Russian companies are reluctant to announce innovational initiatives in the mission and goals

of companies. Uncertainty regarding innovations is a reason for low innovative activity of modern Russian companies, which is a reason for their low competitiveness – especially as compared to foreign companies which show high innovational activity.

At the stage of development of a strategy, the key problem is mechanical processing of data (low level of automatization). High probability of errors, emerging due to the influence of “human factor”, long period of managerial decisions making, and their founding on incomplete information due to limited possibilities of manager for its processing reduce the effectiveness of development of strategies by Russian companies.

At the stage of realization of the strategy, a serious problem is unclear job descriptions. Without clear and simple instructions, a company’s employees have too much freedom, due to which they conduct the actions that hinder successful realization of the strategy of company development. Inconsistency of employees’ behavior is a reason for violation of integrity of the company’s work, reducing its economic effectiveness.

At the stage of analysis of the results and accumulation of experience, the initial problem is lack of time for the manager, due to which this stage is skipped. Ignoring the final stage in the chain of strategic management leads to this process’s becoming linear, losing its cyclic direction. As a result, the integrity of the process of strategic management is violated, which is a reason for recurrent conduct of typical errors, which could be avoided in case of more careful attitude.

Results of the performed analysis show the usage of old tools of strategic corporate management in modern Russia and disregard of new possibilities of its improvement, which is a reason for their low competitiveness and economic effectiveness. We distinguished three most important tendencies peculiar for economy of modern Russia which open new possibilities and perspectives for development of entrepreneurship:

1st tendency: continuation of the process of market reformation of Russia’s economy. It opens wider possibilities for development of competition and formation of market stimuli for development of Russian companies. When development in a certain direction has voluntary character, it happens faster and more effectively.

2nd tendency is globalization and integration which covers the Russian economic system. Access to successful world experience of corporate strategic management and leading technologies and equipment creates favorable conditions for improvement of the process of strategic management at the Russian companies.

3rd tendency is the state course for development of innovational economy (“economy of knowledge”). State support for initiatives of entrepreneurship in the sphere of increase of effectiveness and competitiveness creates additional impulse

for their development. An important aspect here is social changes that lead to formation of favorable attitude to innovations in the modern Russian society.

We offer the following recommendations for improving the process of strategic management of the modern Russian company with the use of new possibilities for the purpose of supporting its high competitiveness and economic effectiveness.

Firstly, organizational liberalization is recommended. It supposes flexibility of organizational structure, simplification of the bureaucratic apparatus, and transition to the democratic style of company management.

Secondly, it is expedient to use such tool as business integration. Creation of integration associations in the form of economic clusters allows for unification of resources in the top-priority spheres of company activities. Primarily, it is integration of small and medium companies for joint marketing activity, which thus will be more efficient.

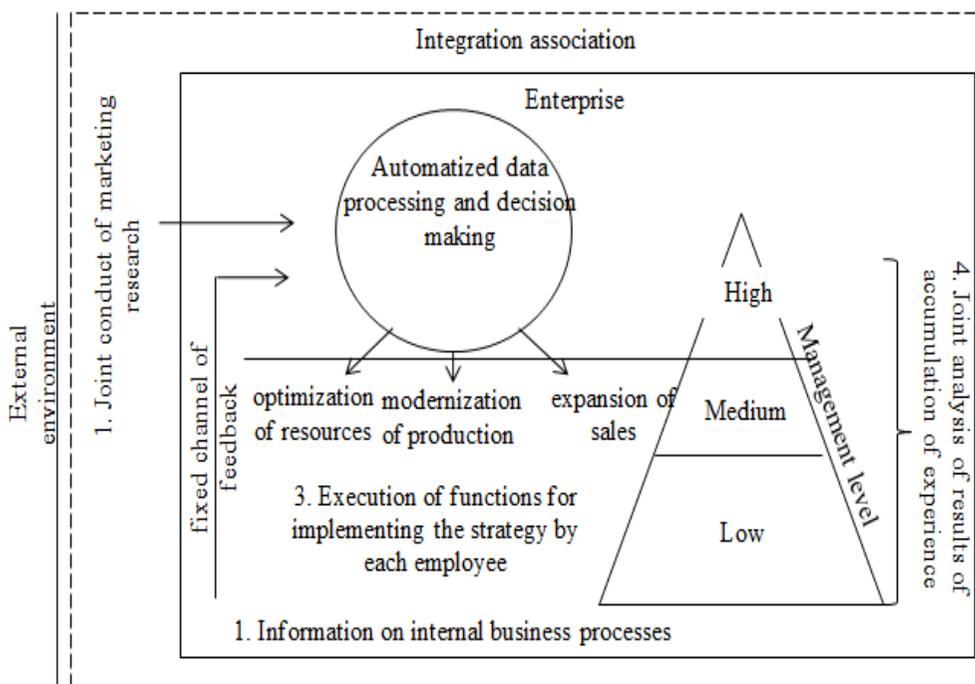
Thirdly, corporate modernization is necessary. It provides domination of innovations over traditions. Modernization should be distributed not only to production business processes (equipment and technologies) but to organizational & managerial business processes – in order to increase effectiveness of the company's work in all spheres of its activity.

Fourthly, automation of corporate strategic management is required. Application of leading technologies and equipment of intellectual support for managerial decisions could be accessible only for large Russian companies with financial resources. At that, small and medium Russian companies can implement cheaper technologies and equipment, which were tested by the time, and this will suffice, as the complexity of strategic management is much lower.

Fifthly, it is necessary to use such tool as professional standardization. Implementation of professional standards allows for achievement of highly effective management of company's personnel, due to which it will work as a mechanism with a clear scheme. Sixthly, deregulation is recommended. It will allow saving manager's time and involving all company's employees into the process of analysis of the results and accumulation of experience.

Based on these recommendations, we developed an interactive model of strategic management of a modern company for the purpose of supporting its high competitiveness and economic effectiveness, which is presented in Figure 2. The model is interactive as it supposes active interaction of a company's management with its employees and external environment for exchange of information and accounting of new possibilities and use of the leading tools.

Figure 2. Interactive model of strategic management of a modern company for supporting its high competitiveness and economic effectiveness



As is seen from Figure 2, the core of the new model of strategic management of a modern company for supporting its high competitiveness and economic effectiveness is the system of automatized processing of data and managerial decision making, formed due to application of the automation tool. Through the channel of feedback collection (a tool of organizational liberalization), it receives intra-corporate information and information in the external environment, obtained through joint marketing research by participants of an integration association (integration tool).

Automation allows for optimization of resources management, development of highly effective scheme of production modernization (implementation of modernization tool) and expansion of sales, which is stimulated by integration. Due to usage of the tool of professional standardization and integration, high effectiveness of realization of the company's strategy is achieved, as each employee performs his functions. The tool of deregulation allows evaluating the results of strategic management and accumulating the corresponding experience.

Conclusion

Because of the research it is possible to conclude that the working hypothesis is true – imperfection of the process of strategic management is a reason for low

competitiveness and economic effectiveness of modern Russian companies. The most important conceptual conclusion of the performed research, which develops the fundamental provisions of the modern economic theory, is substantiation of the necessity for applying the principle of interactivity, which supposes consideration of new possibilities and usage of the leading tools in the process of corporate strategic management. The applied value is granted by the possibility for using the developed authors' recommendations and the offered interactive model of strategic management of a modern company in modern Russia for supporting high competitiveness and economic effectiveness of domestic entrepreneurship.

Further perspectives of development of ideas given in this paper are seen in the context of transferring the developed model of strategic management of a modern company for the purpose of supporting its high competitiveness and economic effectiveness from the static position into the dynamic which allows considering the new possibilities and tools and analyzing internal and external situations, as well as actualizing the tools of strategic management in view of new possibilities and perspectives.

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