

TOPIC 1. ESSENCE AND CONCEPTUAL BASIS OF STRATEGIC MANAGEMENT OF ENTERPRISE

- 1. Conception of strategic management
- 2. Key hypotheses of strategic management
- 3. Comparative analysis of strategic management with other approaches to enterprise management
- 4. Patterns of Strategic management

1. Conception of strategic management

Management conception is the system of ideas, principles, presentations, that predetermine the aim of enterprise functioning, mechanisms of management subject and object cooperation, character of relations between separate links of its inner structure, and also determine the necessary degree of taking into account of environment influence on the development of an enterprise.

PRE-CONDITIONS OF STRATEGIC MANAGEMENT DEVELOPMENT AT AN ENTERPRISE

- ◉ globalization of economy
- ◉ extension of market activity borders
- ◉ diversification of enterprises activity
- ◉ development of scientific- technical progress
- ◉ strengthening of competitive activity between enterprises and countries
- ◉ instability of enterprise environment

HENRY MINTZBERG



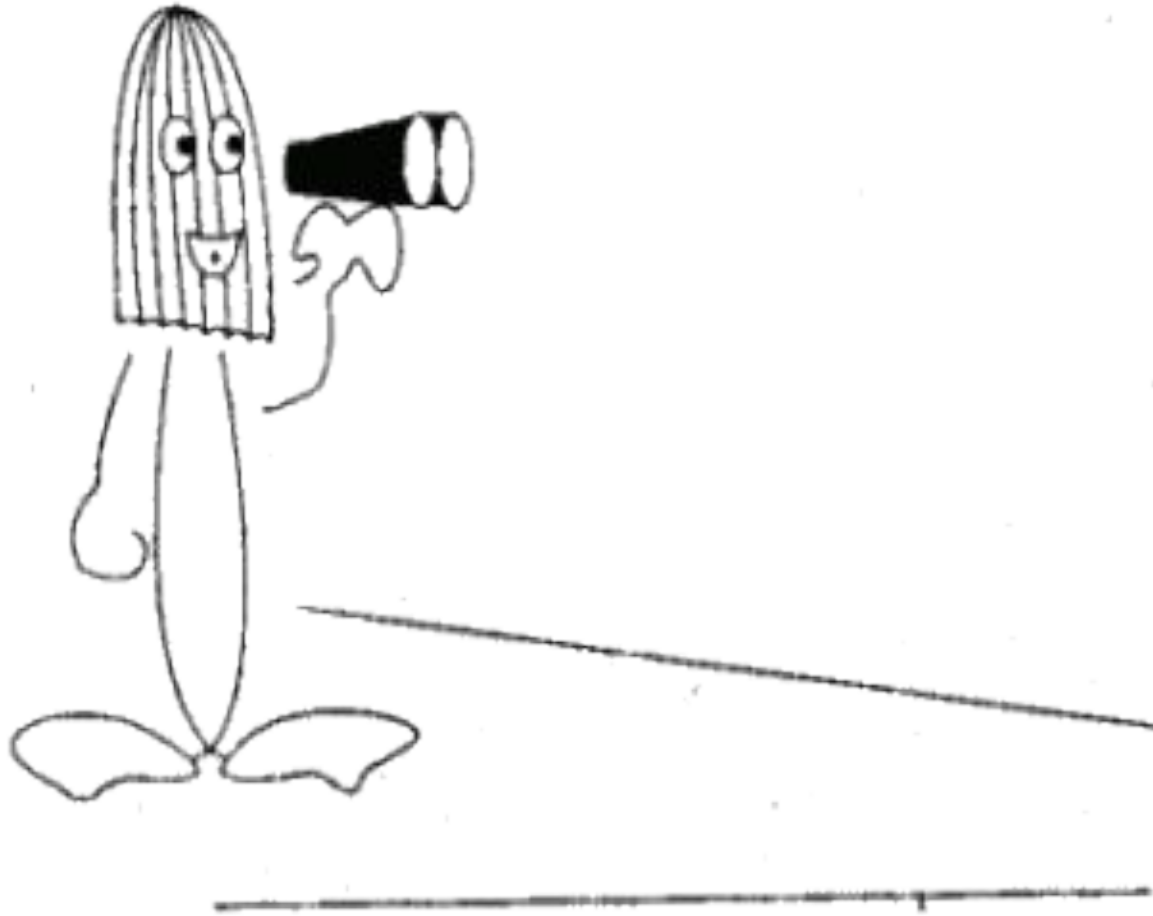
- ◉ Born: (1939-09-02)
September 2, 1939
(age 75)
Montreal
- ◉ Alma mater: McGill University, MIT Sloan School of Management
- ◉ Occupation: Academic



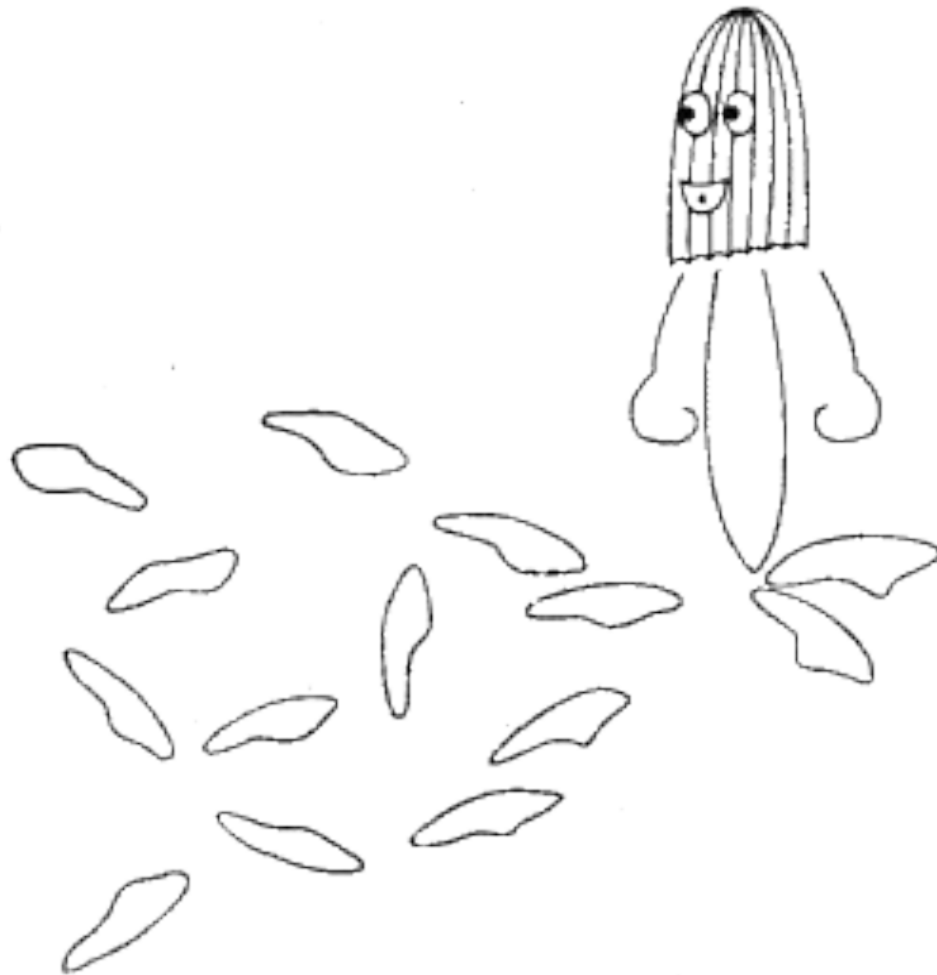
5 «P» OF STRATEGY BY HENRY MINTZBERG

1. Plan.
2. Ploy.
3. Pattern.
4. Position.
5. Perspective.

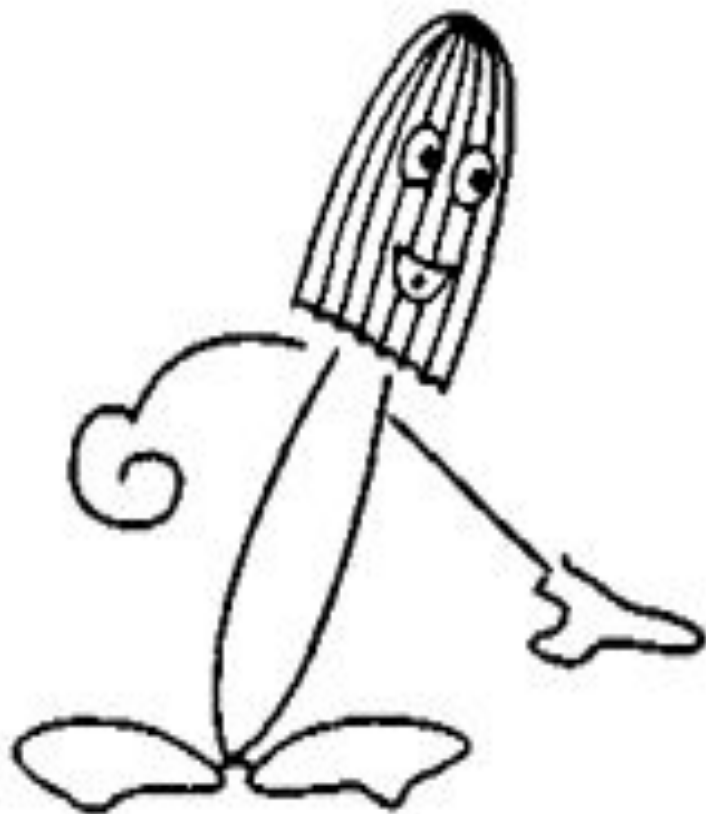
STRATEGY AS A PLAN



STRATEGY AS PATTERN (CARRIED OUT)



STRATEGY AS POSITION



STRATEGY AS PERSPECTIVE



BASIC IDEAS OF STRATEGIC MANAGEMENT CONCEPTION

- ◉ an enterprise is an "open" system
- ◉ environment is a source of favourable opportunities and threats for the development of enterprise
- ◉ situational, marketing and system approaches are the methodological base for development of administrative decisions
- ◉ managers have to have the perspective(long-term)
- ◉ the organizational structure of an enterprise management adjusts itself to the strategy

OBJECTS OF STRATEGIC MANAGEMENT

- **Organization**
- **Strategic economic subdivision(SES)**
- **Functional spheres of organization**

SUBJECT OF STRATEGIC MANAGEMENT

- ⦿ Problems, related to the general goals of organizations
- ⦿ Problems, related to the external factors that are out-of-control
- ⦿ Problems and decisions, related to any element of organizations, if this element is necessary for the achievement of goals, however is presently absent or is in an insufficient extent

TASKS OF STRATEGIC MANAGEMENT

- ◉ Formulation of strategic vision of enterprise
- ◉ Formulation of mission and goals setting
- ◉ Development of strategy
- ◉ Introduction and realization of strategy
- ◉ Estimation of activity, watching of changes and adjustment

- **Strategic decisions** are administrative decisions, that determine markets, commodities and channels that will have the greatest value for organization in the future.

EXAMPLES OF STRATEGIC DECISIONS AT DIFFERENT LEVELS

Level of strategic decisions	Examples of strategic decisions
Level of organization	a decision is about entering new sales markets, acquisition, mergers, sales, changes of profile of some strategic economic subdivisions
Level of strategic economic subdivision	decisions related to the introduction of new products, NT, formation of sales network and related to cooperation with suppliers, consumers
Level of functional spheres of organization	decisions related to the new forms of organization and remuneration of labour, recruitment, acquisition of licenses, establishment of new research directions, turning to the new types of raw material, materials for making of products

2. KEY HYPOTHESES OF STRATEGIC MANAGEMENT (BASIC HYPOTHESES BY IGOR H. ANSOFF)

<i>Hypotheses</i>	<i>Table of contents</i>
A hypothesis of chance	<ol style="list-style-type: none">1. There is no one recipe of optimal organization management, the present is certain average set of different types of administrative behavior that corresponds different types of problems.2. If a universal decision is absent, it means that every organization is unique by its nature and must search its own way.
A hypothesis of dependence on environment	Problems that is created by environment determine the optimal model of behavior of organization.
A hypothesis of accordance	For the achievement of success the level of organization strategy aggressiveness must correspond the level of instability of environment. A hypothesis about accordance is adopted from cybernetics.

<i>Hypotheses</i>	<i>Table of contents</i>
A hypothesis of strategies, capabilities and activity	Activity of organization is optimal when its strategic behavior corresponds the level of instability of environment, and business lines correspond strategic behavior.
A hypothesis of many elements	Success of organization depends on cooperation and mutual addition of a few components of management - managers, structure, culture, system. A hypothesis about many elements denies that one component of management is the main condition of success. On the opposite, success of company is a result of cooperation and mutual addition of a few key elements.
A hypothesis of balance	For the activity of an organization to be successful, for every level of environment instability it is necessary to pick up corresponding combination of components.

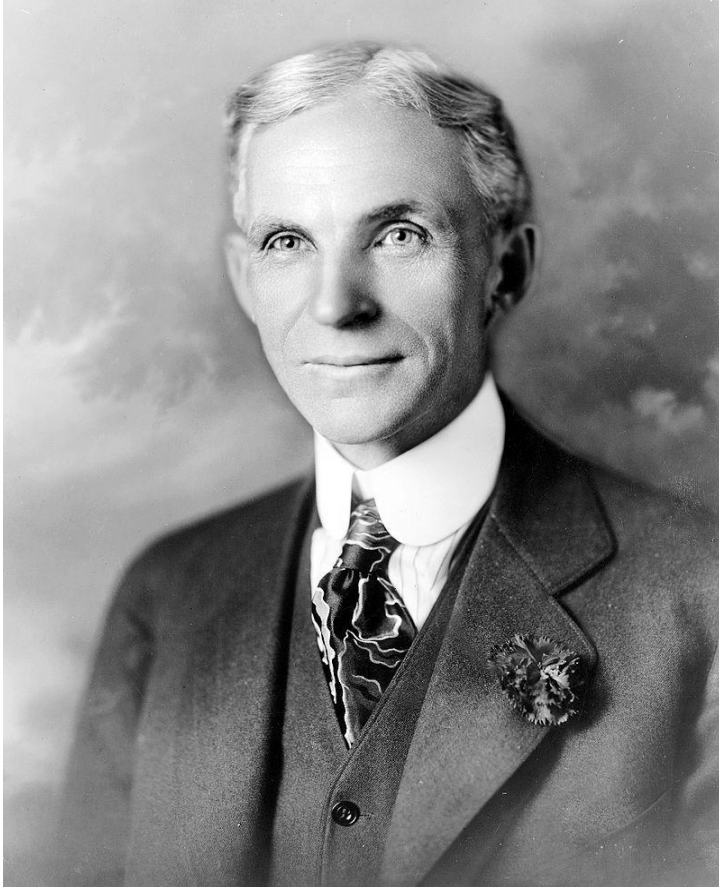
Hypotheses prove that the system of strategic management of every organization will be absolutely unique, will have its certain characteristic features and will depend on:

- sizes of organization
- specifics of production
- present potential of organization
- architectonics of organization
- opportunities of an organization
- spheres of activity of an organization

1.3. COMPARATIVE ANALYSIS OF STRATEGIC MANAGEMENT WITH OTHER APPROACHES TO ENTERPRISE MANAGEMENT

- **1 stage - 1880-1930**
Epoch of mass production
- **Budgeting** is development of plans for all spheres of activity, integrally presented in a budget on a certain period.

An evolution of the scientific approaches to strategic management



Henry Ford

- ◉ Henry Ford (July 30, 1863 - April 7, 1947) - The American engineer, industrialist and inventor. One of the founders of the US automobile industry, the founder of the "Ford Motor Company", organizer of the flow-line production.



1903 MODEL A
First Ford Motor Company Car



1905 MODEL B Touring Car
First four cylinder Ford



1906 MODEL K Touring Car
First six cylinder Ford



1906 MODEL N--Popular
predecessor of the Model T



1908 MODEL T Touring Car
As it appeared when first introduced



1915 MODEL T



1927 MODEL T Touring Car
The last year of the Model T



1928 MODEL A Fordor Sedan



1929 MODEL A Station Wagon
First mass-produced Station Wagon

EVOLUTION OF THE FORD
1896-1968
First Ford Car 1896



1932 V-8 Tudor Sedan



1940 DELUXE Convertible
Club Coupe



1949 Custom Fordor



1955 THUNDERBIRD Convertible



1957 FAIRLANE 500
Town Victoria



1960 FALCON Fordor Sedan



1965 MUSTANG



1968 FORD XL
Hardtop



1968 FAIRLANE TORINO

FORD CARS



Model "T"



Henry Ford in his first car «Ford Quadricycle» (1896)

FORD'S ASSEMBLY LINE



THE SELLING PRICE OF FORD CARS

Year	Price in Dolar	Car production
1909 - 10	950	18664
1910 - 11	780	34528
1911 - 12	690	78440
1912 - 13	600	168220
1913 - 14	550	248317
1914 - 15	490	308213
1915 - 16	440	533921
1916 - 17	360	785432
1917 - 18	450	706584
1918 - 19	525	533706
1919 - 20	575 - 440	996660
1920 - 21	440 - 335	1250000

HENRY FORD QUOTES

- "Every customer can color your car at will, if the car is black."
- "Best car - new car!"
- "If you have enthusiasm, you can make anything. The enthusiasm - is the basis of any progress."
- "No matter which does not seem impossible, if you break it into small pieces."
- "All you can do better than has been done until now."
- "Many more people who surrendered than losers."

- ◎ **2 stages - 1930-1950**
Epoch of mass sale

- ◎ **The corporate strategic planning** uses quite tough models and methods, is based on a hypothesis about possibility of person being able to predict and control the future.

An evolution of the scientific approaches to strategic management

- ◎ **3 stages - 1950 - 1960 Postindustrial epoch**
- ◎ **The strategic planning is an adaptive process, by means of which happens regular development and correction of the system of the formalized plans, revision of measures connected with their implementation on the basis of continuous control and evaluation of changes that take place out and in an enterprise.**

An evolution of the scientific approaches to strategic management

- **4 stages - after 1973**

- **Strategic management** it is the management directed to the achievement of results by means of wide spectrum of instruments application in relation to each element of the productive-administrative system of an organization.

An evolution of the scientific approaches to strategic management

COMPARATIVE DESCRIPTION OF THE SCIENTIFIC APPROACHES TO ENTERPRISE MANAGEMENT

<i>Parameters</i>	<i>Budgeting</i>	<i>Corporate strategic planning</i>	<i>Strategic planning</i>	<i>Strategic management</i>
Supposition	The past recurs	Progress trends are preserved - extrapolation	New tendencies can be predicted	A partial predictability is after weak signals
Type of changes	Slower, than reaction of organization	Compared to the reaction of organization	Compared to the reaction of organization	Quicker than reaction of organization
Process	Cyclic	Cyclic	Cyclic	Real time
Management base	Control of rejections	Prediction of increase of possibilities	Change of strategic reference-points	Taking into account market and environment development
Management accent	Stability, reactivity	Prediction	Research	Creativity

PROBLEMS OF THE STRATEGIC MANAGEMENT SYSTEM USE

Problems related to possibility of adaptation the methodology of strategic management for the practical use of domestic enterprises

Problems, related to considerable difficulties that arise on the stage of introducing the strategic management system in practice of domestic enterprises activity

- **The strategically oriented organization** is an organization where personnel has the strategic thinking, the system of the strategic planning that gives an opportunity to develop and use the integrated system of strategic plans, and where current, everyday activity is directed to the achievement of the existing strategic goals.

ADVANTAGES OF THE STRATEGICALLY ORIENTED ORGANIZATIONS

- ◉ The ability to make the organization more manageable because at presence of a system of strategic plans is possible to compare the results achieved with the objectives, specified as targets.
- ◉ Creating productive capacity and external systems ties that are susceptible to changes and make it possible to achieve future goals.



**Strategic
management
case frames**

**Management on
the basis of the
formalized
procedures system**

**Management on
the basis of
limited analytical
resources**

**Situational
management
case frame**

**Prognostic
management
case frame**

**Analytical
management
case frame**

**Intuitional
management
case frame**

**Principalised
management
case frame**

ACCORDANCE OF STRATEGIC MANAGEMENT CASE FRAMES TO THE LEVEL OF PREDICTABILITY OF CHANGES OF ORGANIZATIONAL ENVIRONMENT

Predictability of environment changes	Analytical management case frame	Prognostic management case frame	Situational management case frame	Intuitional management case frame	Principialised management case frame
High	***	***	*		
Middle	*	*	***	**	**
Subzero			**	***	***

CHANGES IN MODELS OF STRATEGIC BEHAVIOR DEPENDING ON THE TYPE OF CHANGES ON WHICH ORIENTED ORGANIZATION

Model of behavior	Type of Changes	
	Gradual	Intermittent
Reactive	1	2
Active social	3	4
Active systematic	5	6