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THE SYSTEM OF FORMATION OF BUSINESS STRATEGIES OF THE ENTERPRISE

The term "business unit" is also the company which develops the only type of business and works independently and also division of the subsidiary entering into corporation. Business unit is a separate organizational and legal structure of active business structure. It is in whole or in part economically divided, responsible for the concrete kind of activity necessary for performance of functions in business process. Functions of business unit are appropriated to it in one complex. Depending on organizational structure he can bear responsibility for receiving profit, for coordination of activity or for development of policy.

The scale of business unit reflects borders of a product and market coordinates, that is shows area in which business unit will work. Even if the market sector is completely defined where business unit will work, there is an opportunity to choose concrete sphere of activity for location of a product, and there are many options. Three main coordinates determine business unit scale: coordinates of a segment of the consumer, geographical coordination and coordinates of goods and services. Coordination of a consumer segment describes where the company has to concentrate the activity. Geographical coordination defines the target markets [1]. Coordination of goods and services describes the range of products which it has to offer the target consumers.

The scale of business unit reflects borders of the movement of products and market coordinates, i.e. shows area in which business unit will work. Even if the market sector is completely defined where business unit will work, there is an opportunity to choose concrete area for location of a product, and there are many options.

Determination of scale of business unit requires close attention both to strategic imperatives, and to the choice of options of management. We use the term "strategic imperatives" here to show that the decisions connected with a scale in many respects are defined by a branch context, that is reality, leaving rather small freedom of action at the discretion of the manager. For example, considering potentially huge economy of scale in research and development and also in production of semiconductors, the developer of chips is very unreasonable to define his geographical coordination any other, except global. On the other hand, managers always have a certain freedom of action [2].

Competitive advantages are those characteristics and properties of a product or brand and also concrete forms of the organization of business which provide the companies superiority over competitors.

Competitive advantage always relative in comparison with the enterprise taking the best positions on commodity market or services.

Relative advantage of the competitor is defined by various factors. Depending on the created advantages factors of competitiveness are divided into two groups:

- external;
- internal.

Competitive advantage "external" if it is based on distinctive qualities of a product which form value for the buyer from the point of view of level of quality, design, special characteristics, etc. The strategy following from external competitive advantage is the strategy of differentiation of a product. It is based on a know-how in the field of marketing, superiority of the enterprise in definition and satisfaction of expectations of clients which are not satisfied with the existing goods. Internal competitive advantage is based on superiority (leadership) of the enterprise in expenses on production and management. Internal advantage provides big profitability, stability of the enterprise for reduction of price of a product and, therefore, is important for the producer. The strategy based on internal competitive advantages represents the strategy of domination of value. It is based mainly on a know-how in the field of production and management [3].

Background and obvious advantages in the competition. Background competitive advantages include the advantages based on the main resources (financial, human, etc.). Clear competitive advantages are based on opinion of consumers (that they receive from the company in comparison with other companies).

In the large differentiated company strategies are developed at four various organizational levels:

1. Corporate strategy (strategy for the company and its activity in general).
2. Business strategy (for each separate kind of activity of the company).
3. Functional strategy (for each functional direction of the concrete line of business). Each field of activity has production strategy, marketing strategy, finance, etc.
4. Operational strategy (narrower strategy for the main structural divisions: factories, regional representatives and trade departments (in functional areas).

Main strategy of the competition. Competitive advantages, as a rule, are implemented at the level of strategic business units and make a basis of business (competitive) strategy of the enterprise.

The strategy of business (business strategy) is understood as the strategy of development for business unit or the business strategy of the enterprise in a certain commodity market. A main objective of this strategy is creation and maintaining competitive advantages of the company. A set of business strategy is a basis for the organization of portfolio strategy (corporate).

Early entry into the market (innovative strategy).

M. Porter calls the first three directions the main strategy, meaning their universal applicability (figure 1).

However business strategy can be also based on such business characteristics as innovations or globalization

Business strategy (business strategy) is aimed at providing successful activity in one concrete sphere of business. A business strategy essence - to show how to win strong, long-term competitive positions in a certain direction.

For the company which is engaged in one type of business corporate and business strategy coincide, the difference between them exists only in the diversified company.

<i>Target market</i>		
All branch	1. Leadership in costs	2. Differentiation of production
Market segment	3. Focusing on costs	3. Focusing
	Low costs	Differentiation
	<i>Type of competitive advantage</i>	

Figure 1 - Three basic strategy of M.Porter

Note - compiled by the author from the source [1].

Business strategy is developed in the following main areas:

1. Response to changes in branch in economy in general, in policy and in other significant areas.
2. Development of competitive measures and actions, market approaches which can give strong advantage before competitors.
3. Integration of strategic initiatives of functional departments.
4. Solution of the specific strategic questions relevant at the moment.

The main responsibility for business strategy lies on shoulders of the manager responsible for this or that direction. The leader as the employee in strategy has at least two duties:

- control of understanding of their strategy in each functional area and their mutual observance;
- implementation of the certain strategic actions approved by the senior managers and informing them about new important changes.
- in diversified corporations managers are also responsible for monitoring of compliance of strategy of the corporate strategy in general.

Corporate strategy. It is the general plan of management for the diversified company. Corporate strategy extends to all company, covering all fields of activity in which she is engaged. It consists of actions taken for establishment of the positions in various branches and the approaches used for the administration of the company.

Development of corporate strategy for the diversified company includes four types of actions:

1. Actions for achievement of diversification.
2. Steps on increase in the general productivity in those branches where the firm already works.
3. Search of ways of obtaining synergetic effect among economic units that assumes that the effect of joint actions is higher, than the simple sum of individual efforts, and its transformation into competitive

advantage.

4. Creation of investment priorities and transfer of resources of corporation to the most perspective areas.

Corporate strategy is created by the senior managers. They bear the main responsibility for the analysis of the messages and recommendations proceeding from leaders of lower level of management. The most important strategic decisions are considered and accepted by the Board of directors of corporation.

Functional strategy belongs to the management plan the current and primary activity of functional area in a certain field of business (research and development, production, marketing, customer service, distribution, finance, personnel, etc.). Corporations have to have so many functional strategy as primary activities.

Functional strategy defines individual details in the general plan of development of the company by definition of approaches, necessary actions and practical steps for ensuring management of separate business units or functions.

The role of functional strategy consists in support of the general business strategy and competitiveness of the company and also in creation of control indicators for achievement of the planned functional tasks of the company.

The main responsibility for formation of functional strategy is usually conferred on heads of departments. At strategy realization the unit manager works in close contact with his deputies and heads of other divisions.

Operational strategy belongs to even more concrete strategic initiatives and approaches to management of key operational divisions (the plants, sales departments, distribution centers) for the solution of daily operational problems of a strategic importance (advertising campaigns, raw materials purchases, stockpile management, prevention, transportation).

Operational strategy supplement and supplement the general business plan of the company.

The main responsibility for development of operational strategy lies on middle managers whose offers have to be considered and accepted by the top management.

The choice of concrete strategy of the competition is carried out taking into account a number of factors, are basic of which:

- key conditions (factors) of success for the considered commodity market;
- strong and weaknesses of the enterprise and its main competitors concerning key factors of success;
- strategic capacity of the enterprise and possibility of expansion of resources [4].

Three levels of strategy form the hierarchical structure: corporate strategy consists of a series of business and functional strategy. Sometimes the additional level of strategic decisions - the level of operational strategy is in addition allocated, but we consider that this too fractional division. To achieve success, strategy have to be coordinated and interact closely with each other. Each level forms the strategic environment for the following level, that is the strategic plan of lower level imposes restrictions for strategy at higher levels of hierarchy.

Process of formation of hierarchy of strategy can be a miscellaneous. There is a strategic planning from top to down in which the senior heads initiate process of formation of strategy and allow strategic business units and functional divisions to formulate own strategy as tools for realization of corporate strategy.

Other approach is the strategic "ascending" planning in which process of formation of strategy is stimulated with offers of economic and functional divisions. For both approaches by the most important that is, interaction between levels of management is how effective.

Process of development of strategy includes the numerous negotiations between levels of hierarchy of management aimed at providing harmonization and a mutual reinforcement of various purposes, strategy, programs, budgets and procedures.

Complex and contradictory process of coordination of strategic decisions at the different levels is important aspect of strategic management.

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