

Transformation of strategic management paradigm in modern terms

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Abstract: The main stages of the development of systems of intercompany management are considered. Current determinants of formation of new paradigm of strategic management are reviewed. The background of its adapted application in economic conditions of Kazakhstan are substantiated.

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1. Introduction

The end of the twentieth century was marked by the most radical transformation of management concepts for the most part of the countries of the world. Dynamic changes in the environment of companies associated with increased competition, rapid technological and following them structural change, market fluctuations, strengthening the role of the institute of government and supranational organizations demanded a rethinking of traditional planning methods in favor of strategic management.

2. Material and Methods

Theoretical, methodological and applied aspects of strategic management are the subject of recent research in many foreign scholars, namely Yu. Daelenbaha, S. Kammings [10], F.R. David [11], S. Jofre [13], V.S. Katkalo [5], D.D. Tkachenko [8], Y. Trifonov, D. Sokolov [9], N. Ritson [14], S. French [12] and many other authors. These papers focus specially on the theoretical and methodological evolution of the dominant paradigm of strategic management with the introduction of new trends and challenges into the global economic community.

In the context of sectoral specifics the research direction in the works of local authors is developing: Z.S. Amarbekova [1], K.J. Daubaeva [3], A.K. Zhankuliyev [4], G.N. Nakipov [7], etc. R.I. Kosmambetova [6] considers a theory, methodology and institutional mechanisms for management of the national economy in the context of globalization from the standpoint of macro-economic approach.

It should be noted that a theoretical framework created as of today in the field of strategic management is a powerful foundation for practical use and further development, but it does not fully meet the needs and realities of the economy of

Kazakhstan. In this context, the issues of introduction of advanced approaches in the field of strategic management for sustainable development at all levels of the domestic economy become topical.

The aim of the study is to examine the process of evolution of systems of company management to identify the modern determinants of the transformation of modern strategic management paradigm, as well as to justify prerequisites of its adapted use in socio-economic conditions of Kazakhstan.

3. Results

Since the inception of the firms as a legally and economically separate business units various problems were met by them which changes and complications conditioned the developing of relevant management system. Their main goal was to create mechanisms allowing making coordinated management decisions.

Let's consider the main stages of the genesis of company control systems being typical for the conditions of market economy (Table 1).

1. Management based on post factum control. In the economic history this period was characterized by a clear sectoral specialization, stable and predictable growth prospects, the business sector functioned in conditions of economic liberalism with a minimum level of state regulation and social control. As a consequence, the empirical evidence was the sole source of information for management decision making. Through a comparative analysis of past and present events or processes the firm's management could predict future possible development scenarios. This management system was focused primarily on operational management and was universal for companies of various sectoral and functional areas.

Table 1 - Genesis of Company Control Systems*

Development stage	The essence of the system	Basic components
1900-1950	Management based on control	<ul style="list-style-type: none"> ● References and instructions ● Financial control
1930-1970	Management based on extrapolation	<ul style="list-style-type: none"> ● Drafting of operating budgets ● Capital budgeting ● Target management ● Long-term planning
1950-1990	Management based on foreseeing changes	<ul style="list-style-type: none"> ● Strategic planning by periods ● Selection of the strategic positions
1960-present time	Management based on flexible emergency decision	<ul style="list-style-type: none"> ● Management based on the ranking of strategic objectives ● Management based on weak signals ● Management in the face of unexpected events

*composed on the basis of [2, 11]

The main tool of company resource management was a budgetary and financial control. Financial planning consisted in the annual budgeting to allocate resources, the rational organization of production, coordination and supervision of activities of units and the enterprise as a whole.

2. *Management based on extrapolation.* The middle of the twentieth century coincided with the stage of increase in the volatility and unpredictability of the external environment, besides their pace began to gradually accelerate. Traditional post factum analysis didn't allow already to take into account all the underlying issues and to respond in time, negatively affected on the interests of the company.

Extrapolation began to be used actively at the microlevel when the projections of possible developments are generated based on statistically emerging trends of certain quantitative characteristics of entrepreneurial activity. On their basis the long-term plans were drawn up, allowing defining the real possibilities of the firm development, its resource constraints, and the quantitative and qualitative effects of development [11, 14].

3. *Management based on foreseeing changes.* Since the changes of the externality nature gradually started to gain considerable dynamism, to make considered decisions through a long-term planning was becoming increasingly difficult. This process began to take more time and required more costly efforts and resources than ever before.

Economic prerequisites for the establishment of a new management system were: accelerating the pace of scientific and technological progress, strengthening the role of the service sector, product differentiation, increased attention of the public to the negative externalities of firms, inflation, monopolization, etc. The above stated phenomena complicated not only operational management, but also reduced the effectiveness of long-term planning [2].

The basis of the new management system was a strategic planning, that is the technology of management in an unstable environment factors and uncertainty in time, providing an analysis of a firm's internal and external competitive forces, consumers and other factors that indirectly affect the strategy, as well as finding the ways to best use the internal forces with a glance to the existing constraints.

Despite some drawbacks (for example, in the process of planning for the future all the essential parameters of the company, set in the past, were projected), the management system based on predictions of changes became a great achievement in this area, and marked the beginning of the modern direction in management science - strategic management [10].

4. *Management based on flexible emergency solutions.* The transition from strategic planning to strategic management dates back to 1973, when the United States hosted the First International Conference on Strategic Management. Preconditions for the emergence of a new management system formed long before, in the 60th of the twentieth century when the significant growth of the dynamics and complexity of the firm's external environment necessitated a rethinking of traditional approaches to management in favor of non-standard creative solutions [2].

As one can see, the evolution of company management systems is a continuous process of increasing their complexity as a result of the reaction to environmental conditions, when each successive innovation complements the existing traditional set of elements by improving and adapting it to the ever-growing level of instable and unpredictable future. The classical paradigm of strategic management being dominant nowadays is not an exception, which is undergoing a transformation under the influence of a number of determinants of micro-, mezo-, macro- and global level (Fig. 1).

As a result of the interaction of internal and external environment of firms the constant improvement and upgrading of the methodology and tools of strategic management for this field to meet

the principles of innovation, social responsibility, to ensure a balance of interests of all stakeholders takes place.

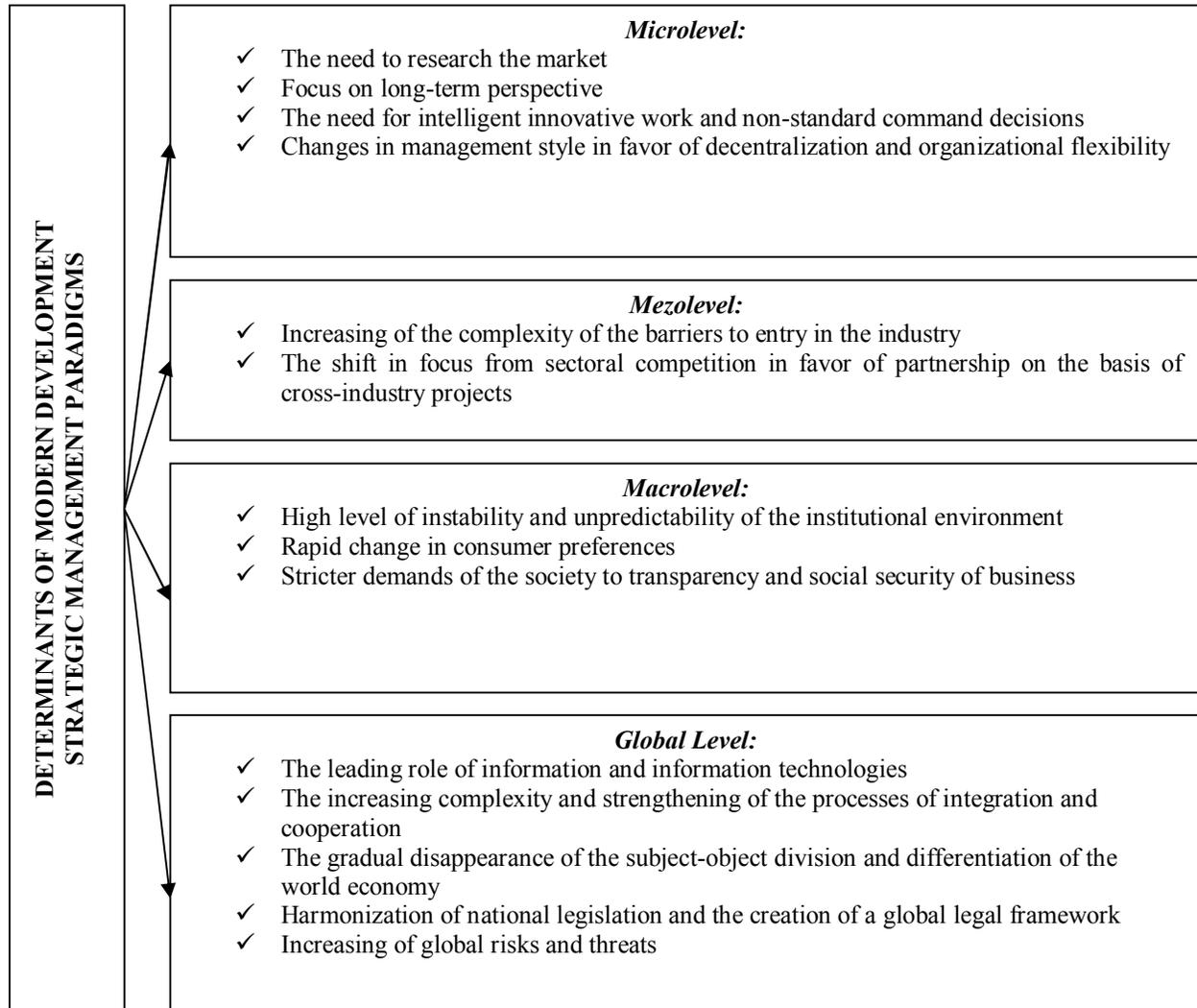


Figure 1 – Determinants Transforming Strategic Management Paradigm under Present-day Conditions*
*composed by the author

It is important to remember that the conceptual foundations of strategic management being effective at stable functioning of industrialized countries are not acceptable for use without prior adaptation in the countries of the former Soviet Union, including Kazakhstan.

As the data of the official statistics for the past five years witness, the unstable situation in the field of financial and economic activities of enterprises of Kazakhstan is observed (Table 2).

Over the period 2009-2012 a slowdown in the positive dynamics of financial results took place: in 2012, the rate of profit growth was 3.6%, which is 3

times less than in 2011, 10 times less than in 2010, 25 times less than in 2009. A significant proportion of loss-makers (37.7% average) still remains. Their number increased in 2012 and amounted to 2238 units, which is 13% more than in 2011. The total loss amounted to 938,928 million tenge [15].

As one can see, the business sector of Kazakhstan entered the development stage when the absence of a strategy prevents not only from current activities, but also makes its further development virtually impossible. Therefore, the issues related to establishing the conditions for the successful implementation of modern principles and techniques

of strategic management by domestic enterprises become particularly topical. The need to develop new systems, methods and approaches to the management is also provoked by the active processes of

integration of financial and industrial capital and by the inclusion of Kazakhstan in the global economic community [16, 17, 18].

Table 2 - Dynamics of Some Indicators of Financial and Economic Activity of the Enterprises of Kazakhstan*

Indicator	Years				
	2008	2009	2010	2011	2012**
The growth rate of profit (loss) before taxes, % to previous year	47,6	189,0	136,4	111,1	103,6
Number of enterprises incurred losses, units	1903	2203	2014	1971	2238
Unit weight of enterprises incurred losses, % to total number of enterprises	37,4	42,3	37,4	33,9	37,4
The amount of loss, mln. tenge	579169	1032354	643786	691187	938928

*source [15]

** preliminary data

4. Discussions

Transformation of management paradigm is a continuous evolution process, which modern phase is influenced by a number of determinants of different levels. Following the generally accepted principles of strategic management and implementation of best practices in this field is a prerequisite of Kazakhstan's integration into the global economic space. The theoretical and methodological issues of developing the mechanism of strategic management of Kazakh companies in various industrial branches to become acceptable to the national context require further elaboration.

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