

# THE STUDY OF METHODOLOGY OF FORMATION OF THE COMPLEX MECHANISM OF STRATEGIC MANAGEMENT OF BUILDING ENTERPRISE

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## Abstract

Strategic objectives and principles that support them should automatically transform into a company concept, detail its status, express intent of the owner and management of the company, when working with customers and the public. Therefore, the implementation of strategic objectives and principles should be formed by the model of complex mechanism of strategic management.

Mechanisms of strategic management can be represented as a set of factors; organizational, economic, motivational, technical and technological, legal and policy interventions that convert strategic management to the new, desired state. In practice, these mechanisms are so closely interrelated with each other that it is difficult to separate any natural factor, which is not included in the different mechanism of strategic management but rather belongs to factors of a different nature.

Therefore, the selection of strategic management mechanisms on the principle of uniformity is made only by the presence of the main features: economic, organizational, motivational, technical, technological or legal. The fundamental difference between the proposed complex mechanism of strategic management of building enterprise management mechanism, is that the mechanism of strategic management has a modulated condition for achieving the future goals of the company and the future survival under fierce competition.

Simulated version of our integrated strategic management mechanism of building company is able to achieve the strategic goals under different business operations.

The actual mechanism of strategic management is always specific, and is always aimed at achieving specific goals through the implementation of specific strategies. It is formed whenever administrative decision has taken place by the coordination of all the elements of management mechanism. Some properties have long-term mechanism of action, other properties - a short-term.

Strategic management deals with long-term goals, because it is essential in the formation of long-term mechanism of action.

Thus, the formation mechanism of strategic management is carried out repeatedly in accordance to the objectives and strategies of the company to promote a certain goal. The result of these influences will bring the facility into compliance with management objectives. If you unable to mobilize the right amount of resources, you have to review or management techniques or readjust management objectives.

**Keywords:** mechanism, strategic management, structure, algorithm, building enterprise.

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## 1. Introduction

In May, 1971 in Pittsburg (USA) took place the general conference on the questions of strategic management, and 14 comprehensive reports summarized the results of development of strategic approach to the management of Western and Eastern companies and also determined the main directions of strategic management development. 1973 year is considered as the beginning of regular theoretical study and practical introduction of strategic management. Since then this direction in theory and practice of management continuously develops, this field is studied throughout the world, most prospering organizations succeeded because of introduction of the system of strategic management. Thus, most corporations of USA and Western Europe have the qualified staff that was specially trained in strategic management.

For today the Ukrainian enterprises must form such strategy of development that would allow support the stable competitive advantages in long-term period of time.

## 2. Analysis of literary data and statement of the problem

Strategic objectives and principles that support them should automatically transform into a company concept, detail its status, express intent of the owner and management of the company,

when working with customers and the public. Therefore, the implementation of strategic objectives and principles should be formed by the model of complex mechanism of strategic management.

The significant attention of foreign and native authors was paid to the question of strategic management [1–4]. In their scientific works were elucidated the conditions of own strategic choice of enterprise and the support of effectiveness of its management. In the works of authors [5–9] the essence of the notion “strategic management” was studied from the positions of system, procedural, functional and other approaches and the expedience of using each of them at the formation of managerial strategy of enterprise was grounded. Among the foreign authors it is expedient to separate the work [10], devoted to theoretical principles and characteristic of the signs of strategic management as a component of the general system of management of enterprise and the work [11], where the processes of formation of the strategies of enterprise were considered most fully. From the positions of system understanding the authors [12–17] characterize “strategic management” as a certain type of managerial activity and managerial process. The author [18] considers the pyramid of functional elements of corporative strategy and their interconnection at enterprise. Today despite the significant scientific achievements of aforesaid and other authors in this direction, the questions about the role of strategic management in the support of competitive advantages of enterprise, improvement of its methods and instrument under the modern conditions still insufficiently studied. The problems about elimination of obstacles in introduction of mechanism of strategic management at the native enterprises need solution. Under conditions of competition and risks growth the enterprises need such mechanism of strategic management that would support their effective development and economic safety, would be able to timely and adequate reaction to the external and internal challenges and threats. Under these circumstances the need in elaboration of the complex mechanism of strategic management of building enterprises grows.

### 3. Aim and tasks of research

The aim of research within this article is the grounding of approaches to the formation of complex mechanism of strategic management of building enterprises.

The main tasks within the research are:

1. To analyze the existing modern definitions of the notion “strategic management”.
2. To analyze the main approaches to the definition of strategic management of enterprises.
3. To model the own complex mechanism of strategic management of building enterprise.
4. To construct the algorithm of element formation of the composition and structure of mechanism of strategic management of building enterprise.

### 4. Materials and methods of research

Theoretical ground of the research is the modern scientific views as to the essence of notion “strategic management” and “strategic management of enterprise”. In the process of research the following methods and techniques were used: abstraction (for generalization of scientific approaches to the definition of the notion “strategic management”; methods of theoretical generalization and comparison – for specification of categorical apparatus at the study of strategic management of enterprise; method of analogy was used at the study of possibilities of formation of the complex mechanism of strategic management within the activity of building enterprises. The study of scientific approaches to the essence of strategic management of enterprise for raising their competitive advantages was built on the base of mastering of the scientific publications of the native and foreign authors and free sources of information.

### 5. Results of research

The term “strategic management” was introduced in usage near 60–70-ies to mark the difference between the current management at the level of production and the one, realized at the higher level. The necessity of fixation of such a divergence was caused, in first turn, by the changes in the business conditions. Elaboration of the ideas of strategic management was presented in the works of the following authors: Frankenhofs and Granger (1971), Ansoff (1972), Schendel and Hatten (1972), Irwin (1974) and other. The main idea that reflects the essence of transfer from oper-

ative management to strategic one was the necessity to transfer the focus of attention of the higher leaders on the surroundings for correspondent and timely reaction to changes that take place in it.

Several constructive definitions, offered by authoritative investigators of the strategic management theory, can be indicated. Schendel and Hatten considered the management as the “process of determination and “establishing” of connection between enterprise and its surroundings that consists of the chosen aims and of attempts to attain the desirable state of relations with surroundings with the help of resources distribution that allows enterprise and its subdivisions act effectively and successfully” [19]. According to Higgins, “strategic management it is a process of management, aimed at realization of enterprise mission with the help of the management of interaction between enterprise and its surroundings” [20], Piers and Robinson define strategic management as a “set of decisions and actions on formulation and realization of the strategies, elaborated for attaining the aim of enterprise” [21]. There is also the series of definition that accent the one or another aspects and features of strategic management. Let’s present these definitions in the **Table 1**.

**Table 1**

Definitions of strategic management

Source	Definition
D. Hassi	Strategic management “can be considered as more full method of business management that consider not only markets and decisions but also the social development, introduction and “correspondence” of the strategy to organizational structure and climate”
A. N. Lyukshinov	“Strategic management it is an activity for realization of the enterprise aims under conditions of dynamic, changing and undetermined environment that allows use the existent potential optimally and remain susceptible to the external requirements”
O. S. Vikhansky	“Strategic management is the management of enterprise, based on human potential as on the fundament of organization, that orients the productive activity on the consumers’ demands, flexibly reacts and realizes the timely transformations in organization that are correspondent to the challenge of surroundings and allow attain the competitive advantages that in totality gives enterprise a possibility to survive in the long-term perspective, achieving the own aims”
A. V. Buzgalin	“Strategic management it is a complex system of setting and realization of strategic aims of enterprise, based on prognostication of the environment and elaboration of the ways of adaptation to its changes and also influence on it”
Z. E. Shershnova	“Strategic management it is multi-planned, formal-behavior managerial process that help to formulate and realize the effective strategies that favor balancing of relations between enterprise, including its constitutive parts, and external environment and also the attainment of the set aims
N. V. Khakimova, L. N. Rodionova	“Strategic management it is a process that includes setting of aims, analysis of internal and external environment, study of alternatives of development, elaboration of strategy, determination of necessary resources and support of relations between external environment and internal elements, continuous control on realization of strategy, assessment of results and plan of correcting actions”
B. A. Chub	“Strategic management it is an activity for economically effective achievement of prospective aims of enterprise on the base of attainment of competitive advantages and active interaction with external environment”
A. G. Porshnev, Z. P. Rumyantseva, N. A. Salomatin	“Strategic management of building enterprise it is a process that determines the succession of actions and realization of strategy”

In foreign country the strategic management of building enterprises is based on four approaches:

1. Conception of planning (the general theory was developed by I. Ansoff, J. Steiner, J. Argenti, R. Akoff, W. Pfeifer and in relation to the building by A. Griffit, P. Stevens, P. Wotson.

2. Conception of projecting (was formulated in the works of A. Chandler, K. Andrews, F. Selsnic and used taking into account the specificity of building enterprises by J. Kang, S. Anderson, D. Kashivagi and other).

3. Conception of positioning (mainly formed in the works of M. Porter, and used for determination of positions of building enterprises by K. Grey, E. Larson).

4. Resource conception (noted in the works of D. Collis, S. Montgomery, R. Wittington, J. Barney, R. Grant, R. Ramelt, D. Tiss, N. Foss, K. Prakhald, G. Hammel and other, with accent on building branch – F. Adam-Fotvey, R. Mac Kaffer, D. Mayers, K. Yugdev and so on).

In the development of planning conception the long-term and strategic planning are separated. The main difference between them is in interpretation of the future. In the system of long-term planning it is presupposed, that the future can be foreseen by extrapolation of historically formed growth tendencies. In the system of strategic planning it is not presupposed, that the future necessarily must be better than the past and can be studied by extrapolation. That is why the important role is given to the analysis of prospects of enterprise, which task is an explanation of the tendencies, dangers, possibilities and separate extraordinary situations that can change the formed tendencies [22].

It is known, that the term “long-term planning” is used for definition of works on planning of arrangements that would influence the enterprise activity in long-term aspect. At that, this perspective can include 5, 10 or more years, depending on situation. The content of definition “long-term” planning mostly depends on conditions of its realization: the one, considered as the long-term for one enterprise, can be short-term for the other. In this sense the use of term “strategic planning” is preferential because it does not deceive as to the horizon of planning and indicates the importance and essence of this work. Strategic planning is in fact that the management within enterprise is transferred from the internal problems to the marketing and elaboration of strategies, correspondent to the state and tendencies of the development of external environment and possibilities of enterprise.

The projecting conception it is an approach, oriented on the features of just building branch, formed on the base of the works of A. Chandler and then I. Ansoff, B. Carlof, P. Druker. I can be noted, that strategic management, based on projecting conception, develops with an accent on projective management, but despite the objective character of management of building enterprise, strategic management is not limited by realization of the separate projects at all but is realized in accordance with the principles of continuousness of organizational-economic life of enterprise. But the modern Ukrainian enterprises do not use the aforesaid foreign approach that is connected with orientation on the different methods of building.

As to the positioning conception, M. Porter was the one of firsts, who paid attention to this problem. The structure of branch limits the strategic actions of enterprises and determines their competitive state. Porter started from the analysis of the position of enterprise that must adapt according to the following analytic scheme “Branch structure → enterprise behavior → economic results”. The scheme indicates the dependence between the results of enterprise activity and strategic choice that expose its behavior that, in its turn, is composed under the influence of market situation and the state of rivals.

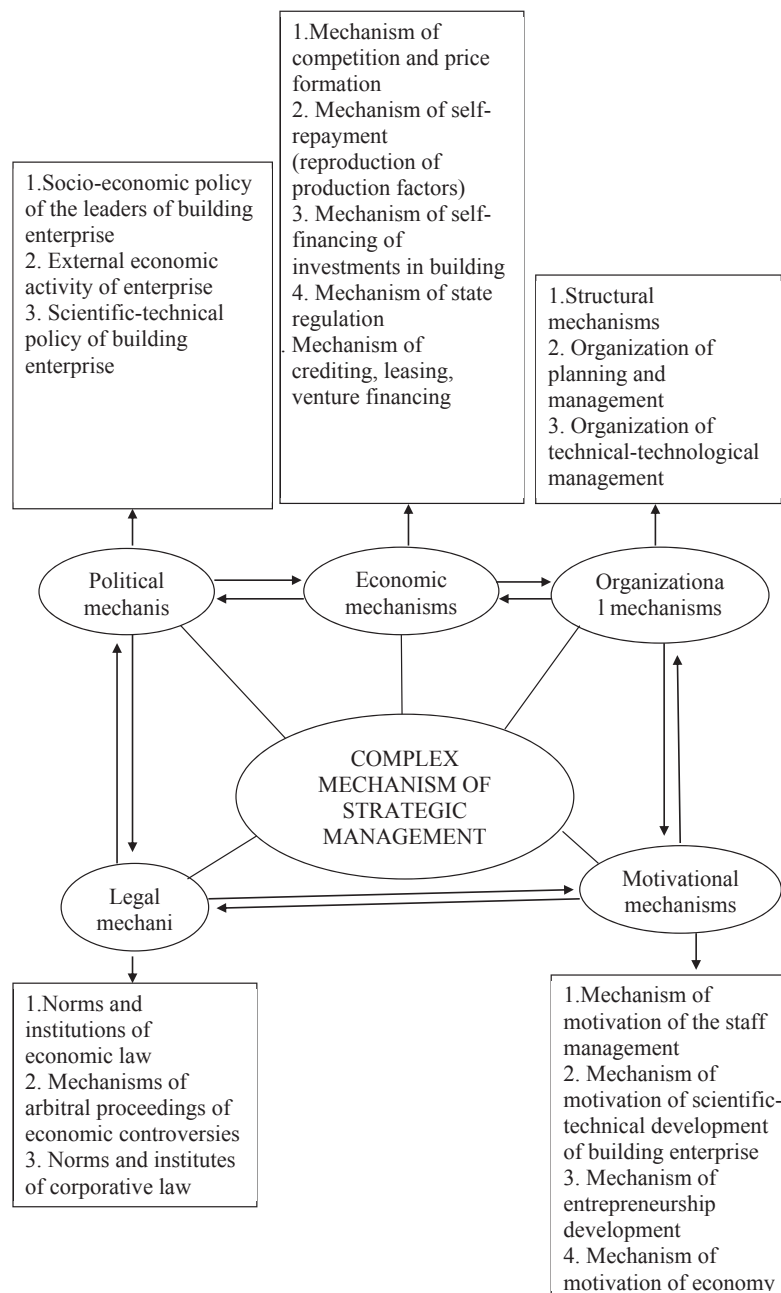
The last conception is a resource one that is focused on the internal environment of enterprise. The experts of resource approach start from the preconditions of heterogeneity of enterprises, their organizational-economic uniqueness. The originality of concrete enterprise is conditioned by their unique set of resources. The resources are the most important component of the strategy formation that determines what enterprises are able to do but not what they want. This conception considers the result of enterprise activity as a function that depends on the unique combination of resources. According to D. Collis and S. Montgomery’s classification, it can be noted, that all diversity of resources is divided into material, immaterial and organizational abilities. At the same time for realization of the aim of development the enterprise must strive to form the complex, if possible, unique characteristics or their set with the possibility of its further modification.

Transferring to the next task of research, it can be noted, that the mechanisms of strategic management can be presented as a set of factors, as a totality of organizational, economic, motivational, technical-technological, legal and political arrangements of influence of economic subjects on the objects of strategic management for their removal to the new desirable state. On practice these mechanisms are so closely connected with each other that it is difficult to separate any factor of one nature that is not included in the other mechanism of strategic management and is not related

to the factors of other nature (for example, “purely” technical-technological factors without any feature of economic, organizational or motivational component).

That is why the further separation of mechanisms of strategic management according to the homogeneity principle is realized only by the presence of the main signs in them: economic, organizational, motivational, technical-technological or legal ones. The fundamental difference of the offered complex mechanism of strategic management of building enterprise from the mechanism of management is in fact that the mechanism of strategic management is modulated with the condition of attainment of the set aim of enterprise activity, further survival in the conditions of fierce competition.

Based on that, the complex mechanism of strategic management included the following mechanisms of strategic management (**Fig. 1**).



**Fig. 1.** Complex mechanism of strategic management of building enterprise

The modeled variant of complex mechanism of strategic management of building enterprise is able to provide the attainment of strategic aims under different conditions of enterprise functioning.

The real mechanism of strategic management of enterprise is always concrete, because is always directed on the attainment of concrete aims by realization of concrete strategies. It is formed each time, when managerial decision is made by the coordination of all elements of the management mechanism. Some mechanisms have the properties of long-term action; the others' properties are more short-term.

As far as the strategic management deals with long-term aims, it is characterized with formation of mechanisms of the long-term action.

In the sphere of material production the nature of managerial factors is diverse. There can be interrelated factors of production-technical, economic, social, legal and political type. As far as the nature of managerial factors and the one of influence on them is diverse, the nature of managerial mechanisms is diverse too. So, the complexness and system character of the mechanism of strategic management is the objective regularity.

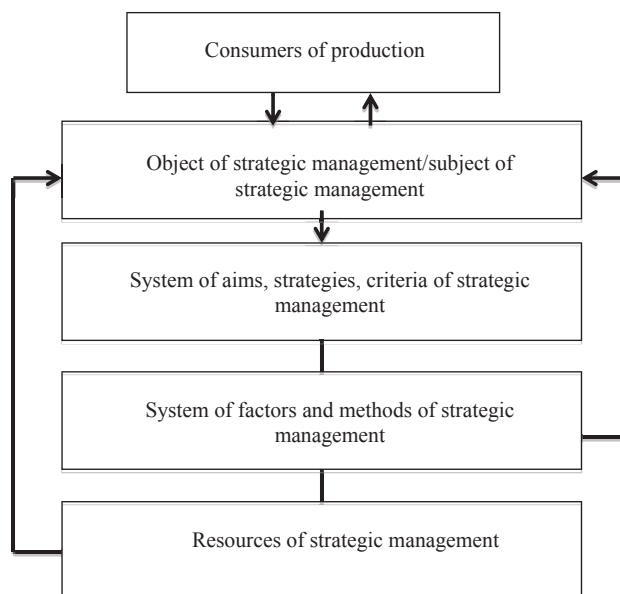
If consider the procedure of formation of concrete mechanism of strategic management, the first step on the way of attainment of the set aim would be the coordination of aforesaid elements and the further elaboration of the correspondent movement strategies of enterprise in the field of strategic events.

At the other step, taking into account selected criteria, the aims are transformed into concrete tasks, which realization would be assessed according to accepted criteria of management. In further there must be determined the factors of management that must be influenced to realize these tasks. If the necessary totality of factors can not be formed, the object of management is specified or the set aim of the management is revised.

Then, the methods of strategic management are selected according to the nature of managerial factors. At the last step the totality of necessary managerial resources is determined (material resources, financial resources, social and organizational potential of the management).

Thus, the process of formation of the mechanism of strategic management is realized iteratively according to the aims and strategies of the progress of enterprise towards the set aim. The result of these influences would be the coordination of managerial object with the set aims. If the necessary volume of resources can not be mobilized, it would be necessary to revise the managerial methods or change the managerial aims again (Fig. 2).

In practice such complexness is attained by coordination of concrete managerial mechanisms using the synthesis and analysis of the basic categories such as object and subject of management, aims and strategies of management, factors of management, methods and resources of management.



**Fig. 2.** Algorithm of element formation of the composition and structure of the mechanism of strategic management of building enterprise



Such coordination and agreement of heterogenic mechanisms of strategic management inevitably leads to the formation of new and complicated category of management – complex of interrelated mechanisms of strategic management.

Thus, enterprise as managerial object can not be formed arbitrarily. Its structure and activity are determined, in first turn, by its aims and objective factors of production process. These factors are the production factors, life cycle of production and technology, system properties of technology, possibilities given to enterprise by the external environment. The regularities of influence of these factors on production process create organizational-economic conceptions of the production activity of enterprise. Influencing the production factors using mechanisms of strategic management, it is possible purposefully transfer system from the one state to another. The internal structure of the offered variant of the modeling of complex mechanism of strategic management is presented in the **Table 2**.

**Table 2**

Structure and composition of the mechanisms of strategic management

Types of mechanisms	Composition of managerial mechanism
1. Economic	1. 1. Mechanism of competition and market price formation 1. 2. Mechanism of self-repayment 1. 3. Mechanism of self-financing of investments in production, scientific-technical and social development, evaluation and revaluation 1. 4. Mechanism of state regulation 1. 5. Mechanism of crediting
2. Organizational	2. 1. Structural mechanisms 2. 2. Organization of planning and management 2. 3. Organization of technical-technological and administrative management
3. Motivational	3. 1. Mechanism of motivation of the staff management 3. 2. Mechanism of motivation of scientific-technical development of enterprise 3. 3. Mechanism of entrepreneurship development 3. 4. Mechanism of motivation of economy
4. Legal	4. 1. Norms and institutes of economic law 4. 2. Mechanism of arbitral proceedings of economic controversies 4. 3. Norms and institutes of corporative law
5. Political	5. 1. Socio-economic policy 5. 2. External economic policy 5. 3. Scientific-technical policy

All aforesaid mechanisms of strategic management are differentiated by the time of influence in strategic and tactic ones (contour of middle-term management), operational (contour of current management), universal (that function in all managerial contours). At transfer of the management from one contour to the other, the object of management is differentiated, specified more exactly and the marketing decisions become more prognosticated and real.

For example, the mechanism of crediting (the one of financing-economic mechanisms) can be differentiated in strategic, tactic and operative crediting.

Such mechanisms of strategic management as “internal motivation of labor” and salary (one of the mechanisms of external motivation – inducement to labor) are universal because they include all spheres of enterprise activity and all social groups.

## 6. Discussion of the results

Strategic management it is a management, realized at the higher level. Under conditions of fierce competitive fight that is present on the market today the building enterprises must transfer to the strategic management that is the most important factor of successful survival

Thus, the advantage of this study is the fact that the process of formation of the mechanism of strategic management is realized iteratively according to the aims and strategies of the progress of enterprise towards the set aim. The result of these influences would be the coordination of managerial object with the set aims. If the necessary volume of resources can not be mobilized, it would be necessary to revise the managerial methods or change the managerial aims again.

Obviously, besides the apparent advantages strategic management has some disadvantages and limitations of its usage that indicate the fact that this type of the management like the other ones does not have universality of usage in any situations for solving tasks.

## 7. Conclusions

In the result of research the following conclusions were made:

1. Generalizing the aforesaid, we can agree with the authors, who define strategic management as the activity for economically effective achievement of prospective aims of enterprise on the base of attainment of competitive advantages and active interaction with external environment. But this definition does not allow answer the question, how to form the system of strategic management, especially at building enterprises. That is why we must agree with interpretation, according to which, the strategic management of building enterprise it is a process that determines the successiveness of actions on elaboration and realization of the strategy. It includes the setting of aims, elaboration of strategy, determination of the necessary resources and support of interactions with external environment that allow enterprise to attain the set tasks.

In most cases the failure of determination of universal approach to strategic management can be explained by the branch differences. Each branch of economy is characterized with its specific environment, contract features and, finally, structure.

2. At the formation of principles of the strategic management of building enterprise it is necessary to take into account the different approaches and to select such of them than can provide as better as possible the effectiveness of the management in the context of achievement of strategic aims by enterprise, realization of its functions to attain the long-term competitive advantages taking into account the risks and threats of external environment.

3. The modeled variant of the complex mechanism of strategic management of building enterprise is able to provide the achievement of set aims under different condition of enterprise functioning.

4. Thus, the process of formation of the mechanism of strategic management is realized iteratively according to the aims and strategies of the progress of enterprise towards the set aim. The result of these influences would be the coordination of managerial object with the set aims. If the necessary volume of resources can not be mobilized, it would be necessary to revise the managerial methods or change the managerial aims again.

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