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## TRANSFORMATION OF STRATEGIC MANAGEMENT PARADIGM UNDER CURRENT CONDITIONS

*The main stages in the development of the company internal management systems are considered. Current determinants of the formation of a new paradigm of strategic management are reviewed. The background of its adapted application in the economic conditions of Kazakhstan are grounded.*

*Keywords: strategic management; paradigm; transformation.*

Рушан Олжабаева

## ТРАНСФОРМАЦІЯ ПАРАДИГМИ СТРАТЕГІЧНОГО УПРАВЛІННЯ В СУЧАСНИХ УМОВАХ

*У статті розглянуто основні етапи розвитку систем внутрішньофірмового управління. Визначено сучасні детермінанти формування нової парадигми стратегічного менеджменту. Обґрунтовано передумови її адаптованого застосування в економічних умовах Казахстану.*

*Ключові слова: стратегічне управління; парадигма; трансформація.*

*Табл. 2. Рис. 1. Літ. 15.*

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## ТРАНСФОРМАЦИЯ ПАРАДИГМЫ СТРАТЕГИЧЕСКОГО УПРАВЛЕНИЯ В СОВРЕМЕННЫХ УСЛОВИЯХ

*В статье рассмотрены основные этапы развития систем внутрифирменного управления. Определены современные детерминанты формирования новой парадигмы стратегического менеджмента. Обоснованы предпосылки ее адаптированного применения в экономических условиях Казахстана.*

*Ключевые слова: стратегическое управление; парадигма; трансформация.*

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

Theoretical, methodological and applied aspects of strategic management are the subject of recent research by many scholars, namely S. Cummings and U. Daelenbach (2009), F.R. David (2011), S. Jofre (2011), V.S. Katkala (2008), D.D. Tkachenko (2011), Y.V. Trifonov and D.Y. Sokolov (2012), N. Ritson (2011), S. French (2009) and many others. These papers focus on theoretical and methodological evolution of the dominant paradigm of strategic management with the introduction of new trends and challenges in the global economic community.

In the context of sectoral specifics the research direction in the works of local authors has been developed by Z.S. Amarbekov (2011), K.J. Daubaev (2010), A.K. Zhankuliyev (2009), G.N. Nakipov (2008) etc. R.I. Kosmambetova (2007) con-

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siders the theory, methodology and institutional mechanisms of the national economy management in the context of globalization from the standpoint of macroeconomics.

It should be noted that the theoretical framework used today in strategic management is a powerful foundation for practical use and further development, but it does not fully meet the needs and realities of Kazakhstan. In this context, the introduction of advanced approaches in strategic management for sustainable development at all levels of the domestic economy becomes topical.

The aim of this study is to examine the process of evolution of systems of company's management to identify the current determinants of the transformation of strategic management paradigm, as well as to justify the prerequisites of its adapted use in socioeconomic conditions of Kazakhstan.

**Key research findings.** Since the inception of firms as legal and economically separate business units various problems were met by them which change and complicate the conditions for developing a relevant management system. Their main goal was to create mechanisms allowing making coordinated management decisions.

Let's consider the main stages in the genesis of company control systems being typical for market economy.

**Table 1. Genesis of Company Control Systems**

Development stage	The essence of the system	Basic components
1900–1950	Management based on control	- References and instructions - Financial control
1930–1970	Management based on extrapolation	- Drafting of operating budgets - Capital budgeting - Target management - Long-term planning
1950–1990	Management based on foreseeing changes	- Strategic planning by periods - Selection of strategic positions
1960–present time	Management based on flexible emergency decisions	- 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 (Ansoff, 2009; David, 2011).

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

The main tool of company resource management was budgetary and financial control. Financial planning consisted in 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 mid of the twentieth century coincided with the increased volatility and unpredictability of external environment,

moreover, their pace gradually accelerate. Traditional post factum analysis didn't allow taking into account all the underlying issues and to respond in time, negatively affecting company's interests.

Extrapolation began to be used actively at the microlevel when projections of possible developments are generated based on statistically emerging trends of certain quantitative characteristics of entrepreneurial activity. On their basis long-term plans were drawn up, defining real possibilities of firm's development, its resource constraints, quantitative and qualitative effects of development (David, 2011; Ritson, 2011).

*3. Management based on foreseeing changes.* Since changes of external nature gradually started to gain considerable dynamism, to make considered decisions through 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 public to 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 (Ansoff, 2009).

The basis of a new management system was strategic planning, that is the technology of management under the an unstable factors of uncertainty in time, providing the analysis of 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 internal forces with the glance on existing constraints.

Despite some drawbacks (for example, in the process of planning for the future all the essential parameters of a 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 a new direction in management science – strategic management (Cummins and Daellenbach, 2009).

*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 1960s when the significant growth of dynamics and complexity of the firm's external environment necessitated a rethinking of traditional approaches to management in favor of non-standard creative solutions (Ansoff, 2009).

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 and is undergoing a transformation under the influence of a number of determinants of micro-, mezo-, macro- and global levels (Figure 1).

As a result of the interaction of internal and external environment of firms constant improvement and upgrade of the methodology and tools of strategic manage-

ment for this field to meet the principles of innovation, social responsibility, to ensure the balance of interests for all stakeholders.

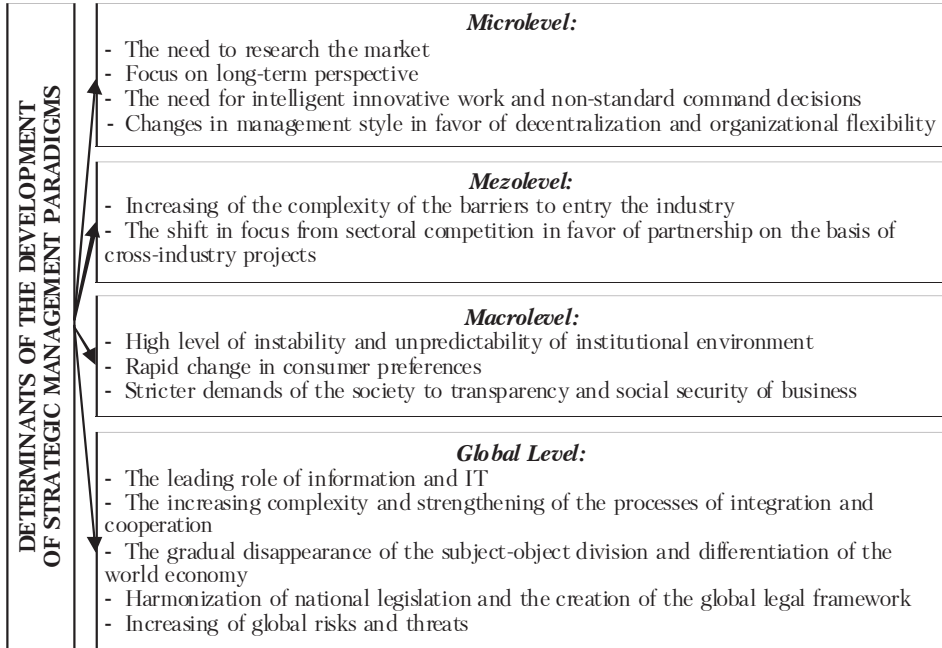


Figure 1. Determinants Transforming Strategic Management Paradigm under the Contemporary Environment, composed by the author

It is important to remember that the conceptual foundations for 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, Kazakhstan including.

As the data of the official statistics for the past 5 years shows, the unstable situation in the field of financial and economic activities in Kazakhstan is observed (Table 2).

Table 2. Dynamics in Financial and Economic Activity of the Enterprises of Kazakhstan

Indicator	Years				
	2008	2009	2010	2011	2012 <sup>a)</sup>
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 the total number of enterprises	37.4	42.3	37.4	33.9	37.4
The amount of loss, mln KZT	579169	1032354	643786	691187	938928

Financial data for businesses (Agency on Statistics the Republic of Kazakhstan).

<sup>a)</sup> preliminary data.

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 pro-

portion of loss-makers (37.7% on 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 mln KZT (Agency on Statistics the Republic of Kazakhstan).

As one can see, the business sector of Kazakhstan entered the development stage when the absence of a strategy, and this prevents not only from current activities, but also makes its further development virtually impossible. Therefore, the issues related to establishing the conditions for 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 in management is also provoked by the active processes of integration of financial and industrial capital and by the inclusion of Kazakhstan into the global economic community.

**Conclusions.** Transformation of management paradigm is a continuous evolution process, which current 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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