

РОЗДІЛ 3

Економіка підприємства та організація виробництва

Analysis of Principles of Modern Strategic Market-Oriented Activity of Industrial Enterprises

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In the article on the basis of a generalization of the review of the international legal framework, scientific works, works of practitioners and specialists devoted to the principles of market-oriented activity, the principles of modern activity of industrial enterprises are researched. On the basis of the identification of the characteristic features of the considered principles, the author's approach to their classification is proposed; it involves simultaneous systematization on the basis of two classification grounds: "For distribution" (traditional and new) and "On the peculiarities of formation" (organizational and market); it allows to deepen the modern understanding of their essence and conduct business in accordance with the norms of international law. The results of the study can be used in the practical activities of modern business entities in shaping approaches to market-oriented activities, as well as laying the foundation for further research on the development of market strategies for industrial enterprises.

Keywords: classification feature, industrial enterprise, market-oriented activity, principle.

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Introduction. Taking into account the globalization of markets and the changeability of economic situations, the formation of the modern market activity of industrial enterprises requires an individual approach to the development and, consequently, thorough analysis of all the tools needed to take managerial decisions. The intensification of competitive fighting, the growth of the level of risks and the asymmetry of information require constant attention and immediate reaction on the part of the management of enterprises that concerns all branches of enterprises activity.

The fact of interconnectivity is especially significant for the world market. According to Robert B. Reich, an economist at Harvard University, "the globe is quickly becoming a single market. Goods are getting cheaper independently of national borders" [1]. And this should be taken into account at the stage of strategic planning of activity that should be clearly regulated.

Under conditions of globalization most of the functions of strategic market-oriented activity are focused on several basic principles, the definitions of which are extremely important for the success of further actions.

Analysis of recent research and publications. Frederick W. Taylor, whose book "Principles of Scientific Management" was published in 1911, is considered to be the first,

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who has systematized the principles of management activity. Probably, the most successful list of management principles is given by Henry Fayol, taking into consideration that modern authors often repeat them [2]:

1. Division of labour (specialization).
2. Powers and responsibilities.
3. Discipline.
4. One manager.
5. Unity of direction (common goal, common plan, one manager).
6. Subordination of personal interests to the general ones.
7. Reward of personnel.
8. Centralization.
9. Scalar chain (hierarchical system).
10. Order.
11. Justice.
12. Stability of the workplace for staff.
13. Initiative.
14. Corporate spirit.

Principles of strategic activity were widely studied by Mescon Michael H., Albert Michael and Khedouri Franklin, Drucker Peter F. [5] Porter Michael E. [6], Ansoff H. I. [7], Kokemuller Neil [8], Russell L. Ackoff [9], Shershnyova Z. E. [10], Satel Greg [11], Kuran Mathew Tharakan [12] and many others. But, in our opinion, the principles of modern strategic market-oriented activity of industrial enterprises have not been sufficiently researched.

Statement of the problem. Under the principles of strategic market-oriented activity we understand the general rules for implementing these business processes. But the principles of strategic market-oriented activity are formulated and defined by international legislative acts and academics in a slightly different way. Differences in the interpretations, the necessity for continuous updating and systematization of the principles of modern activity caused the relevance of this study.

The purpose of the article is to study the peculiarities of the principles of modern strategic market-oriented activity of industrial enterprises and their systematization. In the framework of the above-mentioned aim, the following tasks are formulated:

- to review the international legal framework, scientific works, the work of practicing firms and individual specialists devoted to the principles of market-oriented activity;
- to determine characteristic peculiarities and classification features for systematization of modern principles of market-oriented activity.

Main results of the research. The authors [1] note that problems caused by the behaviour of multinational corporations become the object of regulation on the part of the government of host country or larger controlling authorities (for example, the UN) endowed with regional or worldwide powers. Thus, it is required to establish unified ethical principles for operations in all regions of the world in the interests of each multinational organization at the maximum high level and steadfastly and consciously follow them.

In particular, Article 10-bis “Unfair competition” of the Paris Convention for the Protection of Industrial Property (from March 20, 1883, as amended on 02.10.1979) does not directly contain information on the principles, but substantiates thoroughly the principle of *bona fides* in the business [3].

Most countries, which have separate laws on unfair competition, use the similar definitions [4, p. 40]:

- “honest commercial activity” (Belgium, Luxembourg);
- “principle of good faith” (Spain, Switzerland);
- “professional correctness” (Italy);
- “ethics” (Germany, Greece, Poland);
- “ethics of market activity” (USA).

So, within the principle of *bona fides* in business we put the context of its honesty, professional correctness, ethics, and decency.

Apart from legislative rules, strategic market-oriented activity must simultaneously be regulated by laws of the market (which are determined by the principles of market activity) and instruments of strategic activity (from the perspective of creating a rational system of process management), that is, the principles, which can, in our opinion, be systematized “*By peculiarities of formation*”. For their research it is necessary to analyse the works of scientists and practitioners.

Thus, Drucker P.F. distinguished *the principle of the effectiveness of activity*, which was classical for any sphere of management [5].

Porter M. [6] noted that *the principles of structural analysis* should help to make the right choice of strategy and give the possibility to an analyst to explain or predict the relation between market share and profitability in each particular industry.

Sufficiently detailed study of the nature of the principles of strategic activity was conducted by I. Ansof [7], who noted that they were changing in time. Thus, the organizational principle based on specialization, division of labour and scale effect, which was firstly distinguished in the XVIII century by A. Smith, theoretically developed by F. Taylor in XX century, and widely used in practice by G. Ford, is rather a process of division of strategic responsibility among several levels of general management. The principle of maximum decentralization is replaced by *the principle of “visibility” of the strategy*, which means that the powers and responsibility for each important strategic decision must be transferred to such a level at the bottom of the pyramid, where all the variables relevant to this decision are visible.

Ansof I. considers that multinational corporations with a matrix structure of the organization implement the principle of achieving *a balance* between the reaction to local markets and competition, product synergy, technology and production efficiency. He also distinguished:

- principle of *timely* decisions (management by ranking of strategic tasks);
- the principle of *strategic* flexibility (enables the firm to get ready on two fronts: internal and external);
- the principle of *separated powers and responsibility* (for a transnational corporation).

Neil Kokemuller (college professor of marketing with professional experience in the field of marketing, retailing and small business) notes that since 2013 most companies have been using the principle of building *long-term* relationships with customers. Customer Relationship Management or CRM is a concept that combines purposes of customer loyalty with database technology. By collecting data about customers and directing top customers to targeted promotional offers, one can establish stronger, loyal ties [8].

In R. Acoff’s view, interactive planning is based on three basic principles [9]:

- the principle of *participation* (due to participation in the planning members of the organization can develop themselves);
- the principle of *continuity* (the management system has to provide continuous controlling, analysis and modification of plans);

– the principle of *holism* – the more elements and levels the system has, the more profitable it is to plan simultaneously and in interdependence, this principle consists of two parts: the principle of coordination (the activity of units of the same level should be planned simultaneously and in interdependence) and the principle of integration (planning should be executed in interdependent at all levels).

To the principles of strategic planning Z. E. Shershnyova (a scientist from Ukraine) includes [10]:

- 1) *goal setting or goal implementation* – all measures and ways of their implementation are aimed at establishing and achieving objectives (strategic orienting points);
- 2) *multivariance, alternativeness and selectiveness* – a reaction to the environment changing through the transition to prematurely justified certain alternatives;
- 3) *globality, systemacity, complexity and balance* – orienting to the coverage of all aspects of the object's activity by separate strategies and the interconnection between them;
- 4) *sequence* – changes must be implemented in a certain order;
- 5) *continuity* – strategic activity is a complex process, the stop of which returns the enterprises to the starting position;
- 6) *scientific and methodological substantiation* – the use of widespread scientific and methodological approaches helps to develop real plans, coordinated with the parameters of the external and internal environment;
- 7) *reality, achievability* – taking into account the peculiarities of functioning of the object, for which strategic plans are being developed, and the possibility of achieving certain parameters;
- 8) *flexibility, dynamism, reaction to the situation* – taking into account the temporary characteristics and the nature of the changes taking place in the enterprise in accordance with the stages of its life cycle;
- 9) *efficiency and social orientation* – on the one hand, ensuring of exceeding the results provided for by the planning, over the costs necessary for its implementation; on the other hand, the solution not only of production problems, but also participation in mitigating social problems;
- 10) *quantitative and qualitative certainty* – planning must give certain benchmarks that will play the role of control points, but the process of planning can not be reduced only to the calculation of indicators, forgetting about the essence of the processes to be implemented;
- 11) *duration of measures* – focusing on solving complex problems that will exist in the long-term perspective.

To the three strategic principles used by successful international competitors, Michael Meskon, Michael Albert and Franklin Khedouri, the following ones are referred to [1]:

- the principle of *“exactly-in-time”*;
- the principle of *complex quality control*;
- the principle of *complex repair and maintenance services*.

The authors [1] noted that some firms succeeded in the market by increasing consumer participation in the production of services. The organization of the sale of goods by mail order, petrol stations of self-service, cafeterias are examples of the application of this principle. It is also used in the organization of retail sales of goods “which must be collected by oneself”. By offering the consumer to perform some part of the given service, we actually change the very nature of this service. Consequently, *the principle of involvement* can be considered a relatively new market discovery.

Greg Satel (an innovation expert who has created and managed media business in Eastern Europe) singles out the following four principles of a marketing strategy in the digital era [11]:

- 1) identify business goals;
- 2) use innovative teams to identify, assess and activate new opportunities;
- 3) separate strategy and innovations;
- 4) create open assets in the market.

Therefore, scientifically speaking, it is *goal-setting* (taking into account “progressiveness” and active integration of new mass media in its program), *innovativeness* (identifying new opportunities, their analysis and implementation), *strategicity* (strategy is not innovation, one can not rely only on it) and *openness*.

To 7 principles of marketing activity Kuran Matthew Tharakan (Production, High Technology, Software, Sales and Marketing Consultant) included [12]:

- strategy before tactics – first create a strategy, and then build activity around it;
- narrow focus on the market – become the dominant player on the niche market;
- differentiation – find differences from competitors;
- education - create information products, websites and other forms of communication that will allow potential customers to estimate your experience to the full extent;
- organize a trio of leading generation – a comprehensive business strategy that will have a fully functioning system through the use of different mass media;
- create a general presence on the Internet – this requires a lot of attention to optimization of search engines and participation in social networks;
- follow the business marketing calendar – create a calendar and marketing activity schedule every day, week, and month.

So, in *the principle of the top priority of the strategy* K. M. Tharakan contributes the content of the need to develop a strategy for other actions; *focusing* – on niche activity; *differentiation* – on creation of differences from competitors; *informationality* – on the creation of information products that indicate the level of their owner; *planning* – compliance with calendar terms.

Taking into consideration a large number of principles and the identity of some of them (for example, the principles of reality and achievability), let’s generalize them with enlargement method and include the following principles to the principles of modern strategic market-oriented activity:

- *bona fides* (in accordance with international norms of law: honesty, professional correctness, ethics, decency, social orientation);
- *duration* (building long-term relationships with customers);
- *continuity* (provision of constant control, analysis and modification of plans);
- *goal-setting* (taking into account the “progressiveness” of strategic actions and the active integration of new mass media into its program);
- *justification* (scientific and methodological substantiation, systematicity, complexity, balance, multivariance, alternativeness and selectiveness, application of structural analysis);
- *innovativeness* (identification of new opportunities, their analysis and implementation);
- *top priority* (strategies for innovation and tactics);
- *openness* (creation of open assets in the market);
- *focusing* (activity on a competitive advantage);
- *differentiation* (creation of difference from competitors);
- *informationality* (creation of information products, which testify to the level of their owner);
- *all-encompassing* (maximizing presence in mass media and the Internet);

- *planning* (clarity and frequency of actions, their consistency, quantitative and qualitative certainty, reality, achievability);
- *balance* (between reaction to local markets and competition, product synergy, technology and production efficiency);
- *flexibility* (dynamism, reaction to the situation, taking into account the nature of change);
- *globality* (immensity, efficiency);
- *the principle of holism* (simultaneously and in the interdependence of the planning of all elements and levels in the system);
- *the principle of involvement* (enhanced participation of the consumer in the production process).

In our opinion, all above mentioned principles (apart from the division into organizational and market ones) can be divided “*By distribution*” into: (Fig. 1).

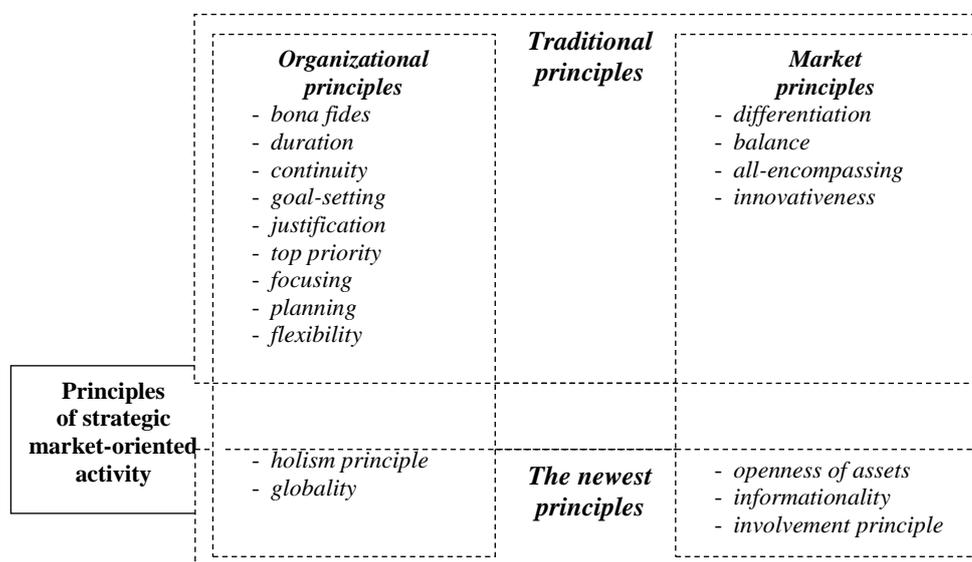


Figure 1. Classification of the principles of modern strategic market-oriented activity of industrial enterprises [prepared by the Author]

- traditional (well-known and most commonly used) – *bona fides*, *duration*, *continuity*, *goal-setting*, *justification*, *top priority*, *focusing*, *planning*, *flexibility*, *differentiation*, *balance*, *all-encompassing*, *innovativeness*;
- the newest (that have appeared recently and not gained significant popularity yet) – the principle of *holism*, *globality*, *openness of assets*, *informationality*, the principle of *involvement*.

The analysis of the principles of modern market-oriented activity allowed to make the following conclusions:

- understanding of the traditional principles of activity is filled with new content and context;

– the new principles of activity have appeared that is connected with a new wave of scientific and technological development and globalization of the market.

Such systematization of the principles allows to deepen understanding of their essence and implement it more effectively in practice.

Conclusions and directions of further research. Thus, according to the results of the study, the following conclusions can be formulated:

– the principles of modern strategic market-oriented activity are determined and systematized, which are proposed to be divided “*By distribution*” into traditional ones - well-known and most commonly used (bona fides, duration, continuity, goal-setting, justification, top priority, focusing, planning, flexibility, differentiation, balance, all-encompassing, innovativeness) and the newest ones – that have appeared recently and not yet become widespread (the principle of holism, globality, openness of assets, informationality, the principle of involvement), and “*By peculiarities of formation*” into organizational and market ones;

– the author’s approach to the classification of the principles, which presupposes the simultaneous systematization as per two classification features, is proposed, that allows to deepen the modern understanding of their essence and carry out business in accordance with the norms of international law.

The results of this study can be used in the practical activity of modern economic entities in formation of approaches to market activity, as well as can become the foundation for further research on the development of market strategies for industrial enterprises.

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**Анализ принципов современной стратегической
рыночно-ориентированной деятельности промышленных предприятий**

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В статье на основе обобщения обзора международной законодательной базы, научных трудов, работ практикующих фирм и отдельных специалистов, посвященных принципам рыночно-ориентированной деятельности, исследованы принципы современной деятельности промышленных предприятий. На основе выделения характерных признаков рассмотренных принципов предложен авторский подход к их классификации, предусматривающий одновременную систематизацию по двум классификационным признакам: «За распространением» (на традиционные и новейшие) и «За особенностями формирования» (на организационные и рыночные), что позволяет углубить современное понимание их сущности и осуществлять бизнес в соответствии нормами международного права. Результаты исследования могут быть использованы в практической деятельности современных субъектов хозяйствования при формировании подходов к рыночно-ориентированной деятельности, а также, положены в основу дальнейших научных исследований по разработке рыночных стратегий промышленных предприятий.

Ключевые слова: классификационный признак, принцип, промышленное предприятие, рыночно-ориентированная деятельность.

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**Аналіз принципів сучасної стратегічної ринково-орієнтованої діяльності
промислових підприємств**

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В статті на основі узагальнення огляду міжнародної законодавчої бази, наукових праць, робіт практикуючих фірм та фахівців, присвячених принципам ринково-орієнтованої діяльності, досліджено принципи сучасної діяльності промислових підприємств. На основі виокремлення характерних ознак розглянутих принципів запропоновано авторський підхід до їх класифікації, який передбачає одночасну систематизацію за двома класифікаційними ознаками: «За поширенням» (на традиційні та новітні) та «За особливостями формування» (на організаційні та ринкові), що дозволяє поглибити сучасне розуміння їх сутності та здійснювати бізнес відповідно норм міжнародного права. Результати дослідження можуть бути використані в практичній діяльності сучасних суб'єктів господарювання при формуванні підходів до ринково-орієнтованої діяльності, а також, покладені в основу подальших наукових досліджень щодо розробок ринкових стратегій промислових підприємств.

Ключові слова: класифікаційна ознака, принцип, промислове підприємство, ринково-орієнтована діяльність.

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Figure: 1; *References:* 12

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