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Strategic management and its role in World's top companies

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TƏHSİL NAZİRLİYİ

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Introduction

The concept of "strategy" came out from the theory of management, where, since the 1950s, it was applied in the context of the activities of the organization (firm, company). First of all, the strategy must be understood as a long-term direction of development, determined as an activity taking into account internal capabilities and position in the environment, leading the subject to the set goals. The strategy is a general program of actions that identifies priority problems and resources for achieving the main goal. The presence of a certain strategy (development, competitiveness, etc.) and the quality of this strategy is a significant competitive advantage of the subject of competitive relations.

Strategic management, or management of a strategy, is the creation and correct implementation of one's firm's aims and goals. These aims and goals mainly have long-term character, as a strategy is not only connected with the short plans' organization, but also with their construction in order to serve a firm's long-term goals.
One of the first concepts of strategic management was based on the notion that different types of organization's behavior require essentially different organizational structures and management. All variety of behavioral styles is derived from two typical opposing styles - incremental and entrepreneurial.

The incremental style of behavior is different from "achieved", aimed at minimizing deviations from traditional behavior both within the organization and in its relationship with the environment. Organizations that adhere to this style of behavior tend to avoid changes, limit them

and minimize them. Active actions are taken when the need for change becomes urgent. The search for alternative solutions is conducted consistently, and the first satisfactory solution is being made.
Entrepreneurial style of behavior defined as desire for change, anticipation of future dangers and new opportunities. A wide search for management decisions is made, numerous alternatives are being developed, and the optimal one is chosen.

Methodology

The objective of my thesis is to clearly define what strategic management is and why its correct organization and implementation is vital in today's business world.
I made research in two main directions- notion and sense of strategic management was analyzed both from theoretical and practical points, as it is essential to deepen the knowledge of theory in order to better analyze the practical side of a topic.
The main focus was concentrated on the secondary research. A lot of books and articles about strategic management were read and later on analyzed and re-examined. Thus, the biggest part of my thesis contains the information that was published before: the creation of "strategic management" notion, its further development and its application- all of this was analyzed several times in order to choose the most exact information about the topic.
More by token, the qualitative method was used a lot as the main aim of me working on this paper was eventually analyzing several modern top companies, their strategy and the way they manage it, their weak points

and potential possibilities. The questions “why?”, “what for?” and “how?” were the most frequent questions I asked myself in order to decompound the information collected before and resolve it.
Moreover, I used some of quantitative methods as it was essential to use the mathematical aspect in order to reveal some important facts and numbers: various bar-charts denoted significant parts of my thesis.

Theoretical side of strategic management

As it was mentioned above, in the “Introduction” part of the thesis, strategic management of one’s firm depends on organization behavior type this company chooses. There is a close relationship between the styles of organizational behavior and types of management. Strategic management requires entrepreneurial behavior. The ending result of strategic management is the systemic potential for achieving the organization's goals and its internal structure that provides sensitivity to changes in the external environment.
Essentially, strategic management is based on the consideration of already existing resources (raw materials, technologies, human resources, a firm’s existing reputation and well-being) and their smart usage for getting a better position in the market and among the competitors.

Objects of strategic management:

- enterprises and organizations;
- functional areas of the enterprise and its business units.

The subject of strategic management is problems directly related to the main objectives of the enterprise.

The essence of strategic management defines the answers to three questions:

- What is the position of the company today?
- What position does it want to achieve in 3, 6, 12 months?
- What should be done to achieve the desired situation?

There are five main functions of strategic management of the enterprise:

1. Strategy planning
2. Organization of strategy implementation
3. Coordination of the implementation of the strategy
4. Motivation to achieve planned strategic results
5. Monitoring the implementation of the strategy

Planning has such sub-functions as forecasting, strategy definition and budgeting.

Making a prediction precedes the definition of strategic plans. The goal is to anticipate development prospects and assess risk. Based on the results of the analysis, the management of the enterprise determines the prospects for further development, and develops a strategy. Budgeting is the cost estimate of the entire resource needed for the strategy planning.

The organization of the strategy implementation involves the creation of the future potential power of the enterprise, the coordination of the management system and structure of the chosen strategy, and the structure of a corporate and organizational culture that will support the strategy.

Coordination of the implementation of the strategy consists of coordinating the strategic decisions at various levels and consistently integrating the strategies and objectives of business units at higher management levels.

The motivation for achieving the planned results is connected with the definition of a system of incentives that would encourage employees to achieve their mutual goals.

Monitoring the implementation of the strategy is the continuous monitoring of the process of its realization. Control is designed to determine the impending dangers in advance, to identify deviations from the adopted strategy and current mistakes, and to be able to fix them as soon as possible.

Principles of strategic enterprise management are:

- Science.
- Purposefulness.
- Flexibility.
- Unity.
- Creating conditions.

Science combined with elements of art. The leader, in the performance of his duties, uses data and conclusions from various scientific fields, but also he must improvise, constantly be in search of individual approaches to the solution of the tasks assigned to him.

Purposefulness is all about strategy formation and strategic analysis that should be goal-oriented, that is, always be focused on meeting the global goal of the enterprise.

Flexibility. This principle implies the possibility of adjusting previously adopted decisions or revising them at any time in accordance with changed circumstances.

Unity of strategic programs and plans. An indispensable condition for success is coherence and a close relationship of solutions at different levels. This unity is achieved by consolidating the strategies of each structural division of the enterprise, coordinating the plans of all its functional units.

Knowledge of theory is great, but choosing a strategy for a certain enterprise, with certain resources and their usage, with defined relations with internal and external environment requires a complex decision-making and other critical skills to be fully used.

The process of choosing a strategy includes the following main steps: understanding the current strategy, creation of strategic alternatives, choice of the company's strategy and its evaluation.

1. Clarification of the current strategy. There are various schemes for understanding the current strategy. One of the possible approaches was proposed by A. Thompson and A. Strickland. The authors identify the following external and internal factors shaping the current strategy:

- External factors: the size of the enterprise and the degree of diversity of products; the general nature and nature of recent acquisitions and sales by the enterprise; the structure and direction of the company's activities in the recent period, and so on.
- Internal factors: objectives of the enterprise; criteria for allocating resources; the attitude towards financial risk both on the part of management, and in accordance with actual practice and implemented financial policies; level and degree of concentration of efforts in the field of R & D, and so on.

2. Forming strategic alternatives. At this stage, strategies are created in order to achieve one's company's goals. G. Mintzberg identifies three main ways of action when formulating a strategy that is determined by the personality and value system of top management: entrepreneurial (focuses on the possibilities of enterprise growth, current problems go to the background), Adaptive (characterized more by an operational solution to existing problems, than search of new opportunities) and planned (it is carried out by both active search of new opportunities and the operative solution of existing problems).

3. Selection and evaluation of the company's strategy. It was found that many factors influence the choice of a strategy. The most important of them: the type of business and the specific features of the industry where the enterprise operates; the nature of the goals set by an enterprise; the values that guide managers in decision making; financial resources and liabilities of the enterprise on the decisions already taken; degree of dependence on the environment; time factor.

   Formed strategies are assessed by the degree of suitability for achieving the main objectives of the enterprise and meeting their environmental requirements, as well as the opportunities for the development of the organization.

   There are several main strategies that are widely used nowadays in order to strengthen the position of an enterprise in the market.

1. Focusing strategy

   The strategy of focusing, or narrow specialization, assumes the choice of a limited scope of economic activity with a sharply outlined range of consumers. This strategy involves concentrating the activities of the enterprise on a relatively small target group of consumers, part of the product mix, or any aspect of the activity. It is radically different from other strategies, because it is based on the choice of a narrow area of competition within the industry (market niche). The niche of the market can be defined in terms of geographical uniqueness, special requirements for the usage of products or its special characteristics that are important for niche participants. The reason for choosing such a strategy may be a reason of the lack of resources, the increased barriers to enter the region or the market. Therefore, the strategy of focusing is inherent, as a rule, to small enterprises.

Risks of focusing strategy:

- The market strategy becomes so attractive that it overflows with competitors;
- The differences between the needs of the target market segment and the market as a whole can be reduced;
- Competitors can penetrate the chosen target market and achieve a higher level of specialization.

2. Diversification strategy

Normally, we distinguish bound and unrelated (conglomerate) diversification. In turn, the associated diversification can be vertical or horizontal. The main criterion for determining the type of diversification is the principle of merger. With a functional merger, enterprises associated in the production process are combined. With an investment merger, the association takes place without a production community of enterprises.

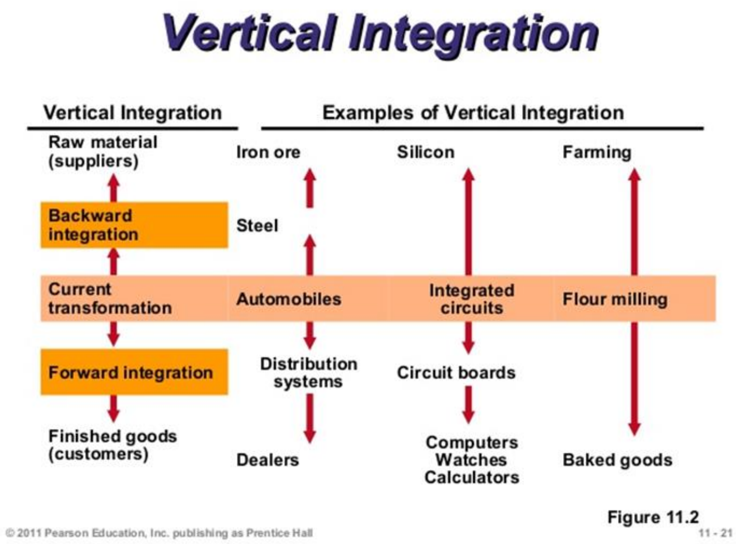
Vertical integration is the process of acquiring or incorporating new productions entering the technological chain of output of the main product in the stages before or after the production process. Types of vertical integration: full integration of production activities; partial integration, in this case a part of the necessary components are purchased from other enterprises; quasi-integration - creation of strategic alliances of enterprises interested in integration without transferring property rights.

Depending on the direction of integration and the position of the enterprise in the production chain, two forms of related diversification are distinguished: integration "forward", or direct integration (is the acquisition or strengthening of control over the structures located between the enterprise and the end user, namely the system of distribution and sale of goods) ; integration "backward", or reverse integration (the enterprise joins functions that were previously performed by suppliers, i.e, it establishes control over sources of raw materials and the production of component parts).

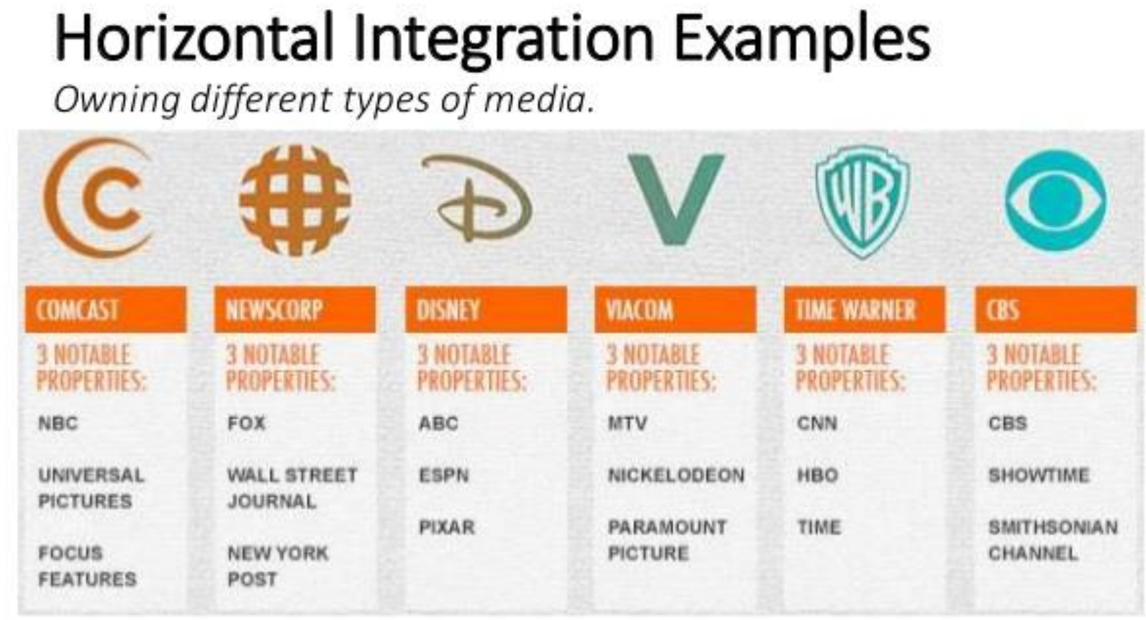
Here is an example for vertical integration:

Horizontal integration. Linked horizontal diversification, or horizontal integration, is the unification of enterprises that operate and compete in one area of activity. The main goal of horizontal integration is to strengthen the firm's position in the industry by absorbing certain competitors or establishing control over them. Horizontal integration allows to achieve economies of scale, expand the range of goods and services, and thus gain an additional competitive advantage. Often, the main reason for horizontal diversification is the geographical expansion of markets. In this case, companies that produce the same type of products but from different regional markets are united.

On the picture underarm we can see some top-companies that implement



the horizontal integration type of strategy.



[1]

Unrelated diversification. This type of diversification covers such areas of activity that do not have direct connection with the main activity of the enterprise. Diversification is justified if the opportunities for enterprise growth within the production chain are limited, the competitor's positions are very strong, and the base product market is in a declining phase. With unrelated diversification, there can be no common markets, resources, technologies, and the effect is achieved through the exchange or separation of assets / spheres of the activity.

3. R&D strategy

[1] http://fordasmedia.blogspot.com/2016/04/vertical-and-horizontal-integration.html

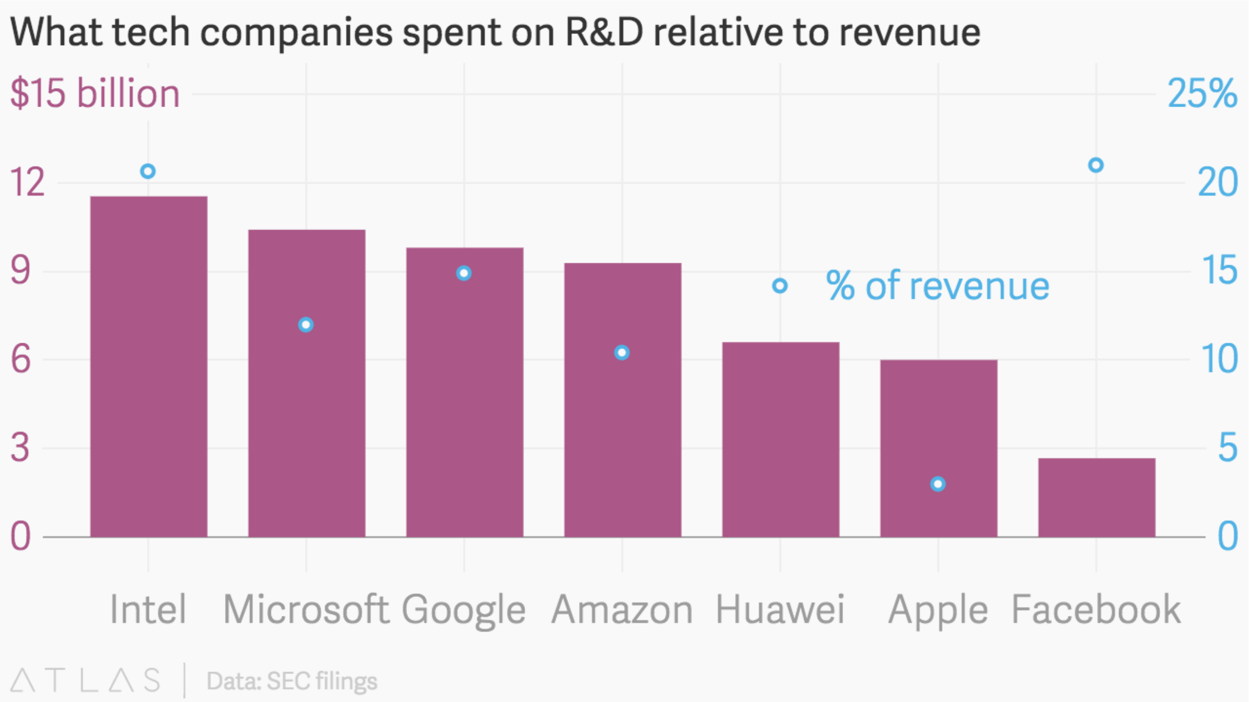
The R & D strategy is a long-term program of concrete actions related to the creation of a new product/or improving of the present product and production technology. The following components of the strategic activity are distinguished in this direction:

- Technological forecasting and planning. The technology forecast is a part of the analysis of the external environment; it gives information about the expected technological trends, new discoveries, as well as time horizons of innovative "breakthroughs". The plan of scientific and technical development focuses attention on the allocation of resources within research, development and technological preparation of production.
- Structure of R & D. When developing a functional R & D strategy, it is expedient to allocate the following areas of innovative work:

  a) to identify the most effective relationship between the conduct of their own R & D in full and the company's participation in inter-firm cooperation, the purchase of patents, licenses, know-how for a new technical policy;

  b) determination of the required volume of research and development work;

  c) the classification of R & D in terms of the impact on the market (R & D for existing production and entry into new markets).
- R & D management. The implementation of any strategy requires the creation of an adequate management system. Specificity of R & D requires special requirements to the management system of innovation processes: effective usage of the qualification potential, the possibility of rapid restructuring, the availability of strict control over the timing and efficiency of work.



[2]

On the chart above, we can see the importance of R&D strategy by analyzing the world top-companies, such as Intel, Apple, Amazon and others and their annual investment into R&D. Intel is at the top, investing about 12$ billion (which is almost 20% of its revenues) in the R&D.

After choosing a strategy, it is essential to control it during its implementation. The final stage of strategic management is monitoring the implementation of the strategic plan. Control is necessary to identify and prevent threats associated with the implementation of the strategy. The process of strategic control is a set of interrelated works carried out in such a sequence:

1. Determining the parameters to be assessed, or the scope of control.

[2] https://www.theatlas.com/charts/N1Gs8E4v

2. The development of standards or the precise definition of the goals to be achieved within a specified period of time. The standards are used to assess the progress of the implementation of the strategy and the specification of strategic objectives. In the control system, standards are developed to evaluate not only the final, but also the intermediate results. At this stage, the value of the deviation from the standard is also established.
3. Evaluation of the results of operation for a specified period.
4. Comparison of actual performance with the established standards. At this stage, the question is also decided: if the deviations from accepted standards are acceptable.
5. The development of corrective actions in the event that the deviations are greater than the allowable ones, i.e., revealing the causes of deviations and ways of their elimination. An enterprise should also note that the control system may indicate the need to review the plans and standards themselves (for example, the goals may be too optimistic).

Three types of control are distinguished in the management of the enterprise: strategic (the results of operation for more than a year), tactical (6-12 months), operational (up to 6 months), i.e along with a hierarchy of strategies, there is a hierarchy of control. The corporate level is characterized mainly by strategic control, in which the main focus is on maintaining a balance between different types of business. At the branch level, tactical control prevails, and it concentrates managers' attention on improving the competitive position of the enterprise. In the process of tactical control, as a rule, the level of costs and market share are tracked. For the functional level, operational and tactical control are typical, in which daily performance indicators such as the number of orders executed, the number of complaints, etc., are monitored daily or weekly.

Today, when market is widely opened for everyone who is ready to offer something valuable, when the tension becomes high as it was never before as a result of the growing competition, when it is crucial to be among the best in order to survive, strategic management is extremely needed.
We can see how even small start-up companies begin to implement their own strategies, let alone the world top ones. World’s top companies use classical theories as well as they use new, more advanced models to develop their strategies.

Classical approaches to strategic management

Management, as a scientific direction, was firstly discussed in the beginning of the 20th century. Classical School of modern management was set up by F. Taylor, G.Gant, H.Emerson, A. Fayol and others. Even at that time, these great thinkers highlighted the importance of the strategic planning in an enterprise. Those assumptions were based on the fast changing internal and external environment of the industrial countries of the 20th century.

The classic approach to strategy focuses on rationality and analysis. Within this approach, the strategy should be formal, explicit and should be created in order to maximize profits.

Today, Alfred. D Chandler, K. Andrews and Igor Ansoff are rightfully considered as fathers of strategic management. Alfred D. Chandler, for the first time within the framework of historical analysis, investigated the genesis of the firm through the correlation of the external environment, the development strategy and the organizational structure of management. Kenneth Andrews focused his attention on the top management in the process of developing and implementing the enterprise development strategy. Igor Ansoff posed and brilliantly solved the task of implementing and some schematization of the strategic planning procedure, especially for the procedures for developing the growth strategy of large companies.

A huge breakthrough in the theory of strategic management was the work of Michael Porter "Competitive Strategies", published in 1980. The general strategies of competition formulated by him are still considered by many researchers in the field of strategic planning to be the most efficient tools for the practical activities of modern firms.

So, what are some classical models of implementing a strategy?

In 1979, I. Ansoff's famous book "Strategic Management" was published. In this work, much attention is paid not only to the development processes, but also to the implementation of the strategy, while the continuity of this process necessarily correlate with the dynamism of the business environment.

I. Ansoff defines the strategy as "a set of rules for making decisions by which the organization is guided in its activities".

According to I. Ansoff, there are four different groups of strategies:

- The rules used in evaluating the performance of the company in the present and future. The qualitative side of the evaluation criteria is called the benchmark, and the quantitative content is called the task;
- The rules which consider the relations of the firm with its external environment (what kinds of products and what technologies to develop, where to sell, etc.). This set of rules is called a product-market strategy, or a business strategy;
- The rules that evaluate relations and procedures established within the organization. These rules are called the organizational concept;
- The rules by which the firm conducts its day-to-day activities - the main operating procedures.

Ansoff highlights several distinctive features of the strategy. Here they are:

1. The process of developing a strategy does not end with any immediate action. Usually it ends with the establishment of common directions, the advancement of which ensures the growth and strength of the firm's position.
2. The formulated strategy should be used for the development of strategic projects by the search method. The role of the strategy in the search is: firstly, to focus on certain areas or opportunities, and secondly, to discard all other possibilities as incompatible with the strategy.
3. The need for this strategy disappears, as soon as the real course of events will lead the organization to the desired development.
4. In the formulation of a strategy, it is impossible to foresee all the opportunities that will open up while drafting specific activities. Therefore, most of the time companies have to use rather generalized, incomplete or inaccurate information.

5. With more accurate information, the validity of the primary strategy may be questioned. Consequently, feedback is needed to ensure timely reformulation of the strategy.

The definition of a strategy given by I. Ansoff, despite its simplicity and popularity among domestic specialists in the field of strategic planning and management, is too general. Moreover, it is not clear from the primary definition of a strategy how it is different from the policy driven of the top management of any firm.

Porter’s five forces of competitive position analysis

This theory was created in 1979 by Michael E Porter in order to help the organizations to understand their strong sides and avoid making strategic mistakes in the future. This model was initially published in the author’s book “Competitive Strategy: Techniques for Analyzing Industries and Competitors” in 1980. The main idea of this principle was to allow the organization to prescribe universal rules and concepts that would allow it to implement general strategies based on a balanced analysis of the forces driving the competition within its industry.

According to this theory, there is a concept of five forces within a company, which are considered with an eye to shape the image of a company, measure its reputation in the eyes of competitors and customers as well as to evaluate already existing corporate strategy.

Here are those five dimensions:

Supplier Power: This dimension helps companies to measure and understand the power of the influence that supplier have on them. It is important to consider, as the flexibleness of a supplier's choice is directly connected to the elasticity of an organization itself. It is always easier and more reasonable to have several suppliers and be able to affect the prices of the goods for the better. An example: One's company have only one big supplier and have no other choice but that supplier. As a result, the company is forced to get the supplies from that provider not depending on the price and other conditions that are driven by the supplier. In that case, supplier has the power to affect the prices for their good, and the company may have extremely high production costs.
Solution: Outsourcing, offshoring, etc.

Buyer Power: We should not underestimate the power driven by the buyers. Even if normally it is sellers who fix the prices, today it can be vice versa: if a company has few buyers, then buyers will probably have the power to dictate the terms. An example: At the very beginning, a new start-up company will certainly have few clients ready to have their goods or services. In terms of tense competition, the young firm must be scared by the possibility of losing the customers, and it will do anything to please them, even set up low prices. As a result, there is a risk to have much less profit that it was planned before.
A solution: attraction of customers by strong marketing policy, creation of short term sales, etc.

Competitive rivalry: This dimension inform companies about their rivals operating in the same market and producing the similar goods or services. The more competitors we have in the market, the less attractive we become.

The wide choice among the sellers who offer the similar goods is too risky for companies. An example: Nowadays, there a lot of companies in the market of technologies that offer us smartphones. Customer may choose among many of producers, therefore it lowers the value of each firm. One production or marketing mistake may result in enormous losses and bad reputation.

A solution: Constant innovation management, surveillance of the competitors.

Threat of substitution: Even before starting to operate in the market, a company should be ready to do a great research in order to find if there is a better solution for the problem they want to solve- it is quite possible that the substitute products exist. Companies should always come up with a better idea in order to succeed. An example: Companies that produce the mousetraps should always consider that there are plenty of companies nowadays that produce more innovative and effective solutions for the same problem (aerosols). In that case, customers tend to choose not the cheapest, but the most effective solution as actually it helps them to safe money and to solve their issues faster.

A solution: constant innovation management, strong research & development policy.

Threat of new entry: This kind of threat comes out when the market welcomes new comers and is not very tight. It may cause some problems for the "old" companies, as it is easier for the competitors to reach them, and it may be also profitable for new businesses. There is a high chance that "new comers" will have a massive part of the market immediately as customers may get bored of the old ones. An example: A firm operating in the market for a long time may face a new start-up company that

promises to offer brand new innovative goods or services in order to get a big portion of customers in a short period of time.
A solution: Preparedness for the sudden emersion of competitors, constant innovation management, etc.

Modern approaches to strategic management

In the current conditions, the business world is having continuous changes in the management thinking stereotypes, which is associated with the intensification of competition in world markets, the expansion of the scale and frequency of technological, organizational and other innovations. Competitive positions were strengthened by those companies and firms whose management has overcome the stereotypes of effective management in the past, developed new positions of "vision" of the future of their organizations and of their employees.
For a long time, the managers have accumulated a lot of questions to the process of formulating and implementing a company's strategy. There is a dispute: which of the opposite approaches to the organization of strategic management is more effective: experimental-intuitive (culture, entrepreneurship, the environment, cognitive school) or rational-logical (schools of design, planning and positioning). The leaders of the sides of these classical approaches are Igor Ansoff and Henry Mintzberg.

Now, the long-term economic development scenario is put at the forefront, implying the growth of its competitiveness in both traditional and new science-intensive sectors, a breakthrough in improving the quality of human capital and the dynamics of labor productivity, in advancing the development of high-tech industries and turning innovative factors into the main source of economic growth. The solution of these problems requires the creation of a system of clear interaction between the state, business, science and education based on the use of effective modern approaches to the organization of strategic management.

Modern approaches to the strategic management are below:

- Synergetic approach. This approach is based on the concept of self-organization (synergetics). Scientific literature defines synergetics as a spontaneous transition of an open non-equilibrium system from simple forms of organization to more complex forms. According to the definition, only the systems that satisfy at least two following conditions may be the object of synergetics:

1. Systems must be open, which means they should interact with the external environment, exchange substances and energy with it;
2. Systems should be nonequilibrium, which means they should be in a state far from thermodynamic development.

Nowadays, a lot of companies are compatible with those conditions, including the social-economic organizations. The instability implements a dynamic process that leads to the further self-organization of the system. As a result, new ordered structures are generated. It is recommended to use the synergetic approach in order to analyze and formulate the enterprise development in the strategic perspective.

- The cluster approach

The cluster approach plays a significant role in the organization of strategic management. The interconnection of clustering processes, increasing competitiveness level of an enterprise and accelerating innovation activity is a new economic phenomenon that makes it possible to oppose the pressure of the world competition and properly meet the requirements of national and regional development.

The concept of "cluster" firstly became known in 1990 thanks to M. Porter, according to whom the cluster is "geographically concentrated groups of interacting companies, specialized suppliers, service providers, firms in the relevant industries, and organizations associated with their activities (for example, universities, standardization agencies, trade associations) in certain areas, competing, but at the same time leading joint work ".

More and more countries are using cluster initiative as a basic element of strategic management organization for increasing competitiveness. Owing to the analysis of more than 500 cluster initiatives that were implemented in the last 10 years in 20 countries, it became known that the high competitiveness of these countries is based on the strong positions of individual clusters - the locomotives of competitiveness. The essence of cluster associations has changed and enriched as a result of the development of the cluster approach. For example, according to a review by the United Nations Economic Commission of Europe, the main characteristics of clusters are:

1. Geographical concentration (firms located not so far from each other, have the opportunity to save on rapid production interaction, exchange of social capital and learning processes);

2. Specialization (clusters are related to a certain field of activity, to which all participants are related);
3. The plurality of economic agents (in addition to firms belonging to clusters, the activities of clusters encompass academies, financial intermediaries, public organizations, institutions that promote cooperation, etc.);
4. Cooperation and competition (the most common types of interaction between firms - members of the cluster);
5. Achievement of the necessary "critical mass" in the amount of the cluster (contributes to the effects of internal dynamics and development);
6. Viability of clusters (clusters are created on a long-term basis);
7. Innovative activity (firms and enterprises within the cluster usually participate in the process of technological, marketing or organizational innovations).

- The innovative approach

This approach is mainly used to organize strategic management in order to improve the efficiency of enterprises based on the concept of continuous search and implementation of innovations across the entire range of strategic decisions - including technological, economic, social and other aspects.

The innovative model of the organization of strategic management consists of the following stages:

1. Definition of the mission and objectives of the organization
2. Analysis of the external environment of the organization
3. Analysis of the internal environment of the organization
4. Prediction of the behavior of competitors, taking into account their interests
5. Consideration of interests and moods of the society
6. Analysis of strategic alternatives and choice of strategic economic zone
7. Development of a strategic plan
8. The allocation and definition of a separate section of the strategic plan- the innovation strategy of the enterprise
9. Implementation of a common strategy, including innovation strategy
10. Evaluation of results, monitoring and feedback

Since the competition has taken a global character, the proposed innovation model takes into account the need to agree with the owner of strategic decisions, the need to predict the behavior of a competitor, take into account the interests and moods of the society, as well as the need to single out a separate innovation strategy of the enterprise.

To establish effective control, it is essential to use an innovative method - the method of a pathetic organization based on the participation of workers in the management of an enterprise. A similar method is applied in joint-stock companies, where employees are simultaneously shareholders. As a result, at the same time, the additional motivation comes up and the interest in more global participation of employees gets stronger.

- The cost approach

This approach is a preliminary evaluation of all tangible and intangible assets that constitute the market value of one's company. In other words, the main focus of this approach is cost management.

Enterprise value management is considered from three positions: substantive, organizational and technological:

1. Content - the management of value, aimed to maximize the value of the enterprise as a result of the impact on cost factors;
2. Organization - the cost management consists of management functions the value of a company;
3. Technologies - includes the construction of the information based on the value management process through the assessment of the business of an enterprise and the usage of the information received in the future.

Basic principles of the cost approach to the organization of strategic management:

· The main goal of strategic management is to maximize the value of the enterprise;

· Cost is mainly associated with the cash flow that the enterprise creates;

· The main criteria of management efficiency is the increase in value.

- Segmentation approach

In the organization of strategic management, in order to ensure the independence of an enterprise from a single economic zone, as well as the ability of an enterprise to send resources from one management area to another, the company management must have strategic flexibility in the external and internal environment, and use the segmentation approach in selecting the most promising strategic economic zones.

Segmentation (segmentation) of the market is a breakdown into specific sets of customers, each of them may require specific products and / or marketing complexes. Widespread criteria for which segmentation is made are: the quantitative characteristics of the segment; degree of segment availability for the company (distribution channels, storage conditions, etc.); the materiality of the segment: the reality of the group of consumers, its sustainability; profitability; compatibility of the main competitors with the segment; efficiency of performance in the selected market segment (company experience, resources); competitiveness of the chosen segment (advantages and disadvantages of competitors, own strengths, etc.

If there are at least two potential market segments, the company should be able to choose the segment that offers the greatest opportunities, while the following two factors should be taken into account:

· The largest segment is not always the greatest opportunity;

· A potentially profitable segment may be one that is ignored by other firms.

In the process of market development and the increasing complexity of economic relations, companies tend to choose a variety of market segments, concentrating on several submarkets. The legitimacy of strengthening positions on a single segment or, as marketers say, the search for a niche, is beyond doubt. Since the market is quite clearly divided between well-known large companies, the increased attention to this way of entering the market is one of the characteristic features of the modern economic conditions.

Strategic management of the world top companies

Today many top-managers came to the conclusion that strategic management for them is not a luxury, but a real project aimed to achieve the goals set, allowing to make their companies even more successful, to ensure the receipt of new profits and increase its value. To answer the question "why?" some turn to consultants, others try to get the necessary information from books, others choose to act intuitively.

In my thesis, I would like to analyze strategic management of world top companies in order to reveal what strategies the world's economic giants use to get the biggest portion of the market. Besides the analysis of each company's strategy management, I would also bring out the issues and possibilities of each company. Three companies were discussed and two of them were chosen out of the Forbes ranking called the World's Top 25 Companies.

The first top-company I would like to analyze is Coca-Cola Company.

Coca-Cola Company (Coca-Cola) is the American transnational corporation of drinks and the manufacturer, distributor and seller of concentrates of soft drinks and syrups. The company is the manufacturer of its most famous flagship product Coca-Cola, but also has developed and produces energy drinks, carbonated drinks, fruit juices, coffee, tea-based drinks and tea all over the world. Some of the company's other well-known brands include Diet Coke, Fanta, Coca-Cola Zero, Sprite, Minute Maid, Innocent and Powerade. Coca-Cola has a sufficiently diversified geography of its presence around the world and good opportunities for development in rapidly growing emerging markets in Asia, Latin America and Africa.

First of all, I would like to give some information about how the company was created, how it has been developing from the very beginning and finally, I am going to analyze the performance of each company during the years, its strategic management and issues they may face.

The first Coca-Cola drink was created in 1886 by the chemist-pharmacist John Stith Pemberton, who welded it in the form of a syrup "from nerves". The first taster was an accountant, part-time friend of the inventor Frank Robinson. Drink strongly impressed him, and that fact prompted him to advise John to patent the prescription, to conclude a contract for sale with the largest at that time pharmacy Jacobs' Pharmacy.

Some time after the creation of the drink, Coca-Cola was sold exclusively in pharmacies as a medicine, and did not attract special attention. All was the same until laziness encouraged pharmacist Willie Venble to mix syrup with soda and get a truly magical "pop". The discovery led to the idea of setting up an enterprise for the production of soda. The introduction at the same time of the "dry law" has become an undoubted advantage for the development of the business of the production of non-alcoholic beverages.

Two years after founding the company to produce an invigorating Cola, John Pemberton died, not having achieved the success of his business.

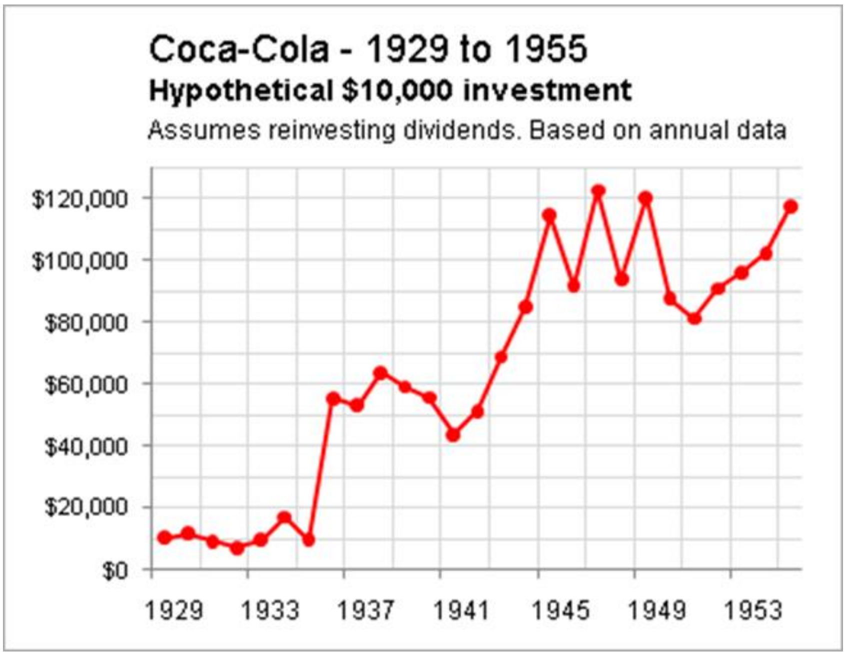
The recipe for the preparation of the drink was bought by the Irish emigrant Asa Kendler. The new owner was an excellent leader. Together with Frank Robinson, who stood at the sources, Asa Kendler improves the recipe of the drink, takes the first steps in advertising, promotion of goods. Many marketing moves (tasting, distribution of souvenirs) turned out to be crucial in the conduct of business. Innovations used in the promotion of the goods, gave impetus to the development of the brand, and formed the basis for the art of sales that is used even nowadays.

In 1919 Asa Kendler decides to sell the already successful company at that time for $ 25 million. The main owner is the banker Ernest Woodruff and with his arrival the brand Coca-Cola begins its promotion to the world market. Since 1928 the company Coca-Cola has been present at all Olympic Games, other large-scale sports events as a sponsor. New brand products are being developed - Fanta, Sprite, and others. These circumstances allow the brand to securely gain a foothold in the masses, and give a try of the drinks to a large number of citizens, including foreigners.

Rapid growth of the popularity of the drink is associated with another innovation - an advertising campaign whose face was all the beloved Santa Claus. The original move is a real breakthrough. Coca-Cola along with the fairy-tale hero acquires universal recognition. Advertising activities Coca-Cola recognize the innovative, capable of leading to the heights of success. Many actions to promote the brand laid the foundation for marketing art, on their examples they began to learn successful development.

Coca-Cola paid much attention to the brand for its development. It carefully defended the individual right to wear a sonorous name, use a recognizable logo. Numerous claims sometimes reached absurdity - the company demanded to prohibit competitors from using curls in writing a name or a color scheme that repeats the style of the famous brand.

By the bar-chart underarm, we can see how rapidly The Coca-Cola company was investing in the years between 1929-1955:



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Despite the competitive battles throughout history, Coca-Cola always holds the palm tree of the championship. Even the specialists and the researches can not definitely indicate what is the secret of Coca-Cola company. Probably, it is correctly chosen niche. The Coca-Cola brand has always supported traditions, family values which attracted the vast majority of consumers. Far-sighted managers and clearly planned marketing policy of the company helped to go to the top of the mountain.

[3] https://seekingalpha.com/article/271536-coca-cola-triumphing-through-3-separate-bear-markets

What is the secret of such a strong position of the company?

Coca-Cola Company commits and uses what they call “Performance with Purpose”. They are highly committed not only to produce qualitative drinks and beverages, but also to act in an honest and kind way towards its customer and the environment.

From the very beginning if the Coca-Cola’s foundation, the company have not stopped to innovate. Most of the people do not even know for sure that besides beloved Coca-Cola soda there are many other products- juices, beverages, energy drinks and other similar goods. It means that the company’s strategy to innovate and to stay “up-to-date” with the changing tastes of all the generations help it enormously to stay strong enough to beat the competitors and lead the market it operates in.

That is true that Coca-Cola invests a big portion of its resources into research and development of the company. Although it is essential, for Coca-Cola this process is constant and extremely important. The company express itself through its permanent interest in its customer changing tastes and preferences.

The Coca-Cola Company never ends to make a research. “What do our customers would like to buy?”, “What do our customers expect to taste?” and other relative questions are the questions that Coca-Cola’s managers are always trying to ask themselves. Throughout the years, The Coca-Cola Company has developed many different types of drink in order to please all the customers it serve. Drinks for kids, beverages without sugar and many other types of drinks were developed. The high level of research and great commitment to constant development are the Coca-Cola’s answer to everything.

The Coca-Cola company is also implementing the diversification strategy. By this strategy, it is important to differentiate all the factors and resources that play a big role in the company's life-cycle. Diversification of raw resources, products and even customers is getting more essential nowadays. Coca-Cola operates very well at all of those levels. Thanks to diversification strategy, used by the Coca-Cola company, it focuses on differentiation of its products in order to be attractive to all, it also focuses on various circles of the customers it serve: the company aims to attract everyone of every age group and every background. Coca-Cola is good for friends making a party; energy drink is a great solution for business people who do not want to stay in a line to get a cup of coffee; sweet drinks are the great snack for kids. Diversification strategy is the key to a long-term well-being if a company.

Due to strong strategic management policy that have been developed since the very beginning, The Coca-Cola Company have always had a stable, quite strong position in the market, achieving the best sales among all the other soda drinks producers.

Even if Coca-Cola is still doing great in the market and is still ahead of its competitors, it has some weak points in strategic management.
Here they are:

First of all, The Coca-Cola company has a strong dependence on the sole distributor: in case the company leaves the market, the distributors will immediately cease their business. In order to have a stronger strategy and guarantee a more stable position in the market, it should consider the increase in the numbers of distributors in the near future.
Also, there are many analogues in the market. The appearance of new substitute products is unlikely. The main direction for protection from

analogical products is the production of high-quality products, expansion of the product range. In my opinion, the Coca-Cola company has to pay more attention to innovating not already existing goods, but concentrate the whole strategy towards the invention of brand new goods.
One of the main weakest points of Coca-Cola's strategy management is definitely its standard methods for promoting products in different markets. If we draw an analogy with McDonald's, for example, we can see that in case of McDonald's, the managers are mainly focused on differentiation of the offered goods and their promotion in different economical/geographical areas. In the case of the Coca-Cola company, it is obvious that they do not differentiate their goods depending on the geographical area where they operate in and they are not doing very well at adapting their products to the needs of the customers in different countries.

So, The Coca-Cola, even if it is an enormous company which earns billions of dollars every year, still has a lot of weak sides. Now, it may seem hard to restructure the whole company and its offshores at the same time, as the existence of strong competitors does not give any opportunity to act more flexible in the market. However, it is obvious that in order to strengthen its position and act in a more beneficial way, The Coca-Cola company needs to rethink its strategic management policies and become more flexible.

The next top-company I am going to analyze is General Electric (GE). This top company was picked up from the Forbes World's 25 Top Companies rank. General Electric is on the 4th position of that ranking.

There are not so many companies in the world with more than a century of history. Usually these are recognized brands, examples for the next generation. However, not every company offers something special: they often become shadows of their former, simply continuing to produce proven products.

But there is a company in the market that appeared in the late 19th century and has become one of the largest conglomerates of the world by now. It offers customers original solutions from the moment of its creation and to this day remains one of the most innovative in the world. This company was founded by the recognized genius-inventor, at different times it was headed by the best managers. The name of this company is General Electric, and by its existence it proves that there are companies that can survive any crises, and become even stronger taking the advantage of every single opportunity. This is where the strategy management of GE plays a huge role.

General Electric was founded in 1878 by Thomas Edison, who by that time had already created several great inventions and decided to finally start his own business. Initially, the company's name sounded like Edison Electric, but after merging with Thompson-Houston Electric in 1892, the name was decided to be changed.

In 1892, after merging with Thompson-Houston Electric, the company had enough power to think about the global spread of light bulbs - but it was difficult to do. As Edison said, people are quite inert about new inventions, and tend to use proven approaches. In addition, the lamps were expensive and attracted only enthusiasts. Another problem was the lack of electrical power sources. All this did not allow the young company to get more profit. First and foremost, Edison, along with the engineers, began to improve the vacuum lamp, striving to make it not only cheaper, but also much more convenient to use. The resulting product went down in history under the name of the GE lamp and could easily compete with gas analogues. Its price eventually fell from $ 1.25 to $ 0.50. This, in turn, led to the fact that the invention of Edison became much cheaper that gas lamps used at that time.

The next developments of the company in the last decade of the 19th century were electric generators and various chemical preparations. The company's technology developed so quickly, largely due to the work of Edison and other brilliant scientists who worked for General Electric. An important achievement of General Electric was the creation of the first radio station in 1922, which became a stepping stone for the development of radio communications for government needs. In the 1940s, the company made a real breakthrough in broadcasting due to the transmission method, nowadays known as FM.

The continuous growth of General Electric's subdivisions led to the fact that in the late 1950s it became difficult to manage the company. At that time, the giant had almost 300 units, which dealt with absolutely everything: from the creation of engines for the Air Force and ending up with the production of artificial diamonds. The brand needed a restructuring - and by 1960 General Electric had become a real conglomerate, which included more than 25 companies.

In 1969, after the participation of General Electric in the preparation of the landing on the moon, the brand gained serious fame around the world. The company, like in Edison's time, was considered revolutionary - but everything was not as good as it might seem. In an effort to keep up with dominance in various industries, General Electric managed to create several unprofitable divisions, which had to be sold. In addition, the company has ceased to be the number one in the electronics market. Trying to fix the situation, more than $ 100 million was invested in the sphere. The great deal of General Electric in the 1970s was the merger

with Utah International, which specialized in coal, oil and gas production. The merger turned out to be very useful: it provided almost 20% of the company's revenues.
There were problems in the field of nuclear power, which in the 1970s became unprofitable for the company. Moreover, the attitude of people to this industry began to change, which led to mass protests and increased attention of environmentalists. To balance the situation, General Electric had to make additional investments and carry out restructuring. A significant part of the divisions was re-qualified for the study of technologies for improving nuclear energy.
In 1981, a new significant turn begins in the life of the company, which will be called "the era of Welch" in the future. Jack Welch led General Electric in a difficult period: a giant company with a stunning history, still seeming unsinkable, more than ever needed a good administrator. Known for a special approach to management, Welch began to restore order to his possessions. According to the entrepreneur, at first he had to clean General Electric from numerous idlers. Most of the top managers at that time considered raising the reward from the company for the faithful service and, having received a "warm place", simply rest on their laurels. In addition, the staff used to believe that General Electric products are the best, hence the decline in the profitability of the company was on the surface.
Welch began to fight tough this trend, dismissing managers who hampered development. He introduced a new principle into corporate culture: if the company is not the first or second in the industry - it must be destroyed, and he himself began to implement it in the practice, cutting production and closing entire directions. For example, Welch introduced the division of personnel into categories A, B, C: the best of the best, in fact the company's future (they should have been no more

than 20%), were included in the first, and those who did not do well in their duties for dismissal (10% of employees). In category B there was a "backbone" of the company - professional, but not as initiative as in the group A, employees. This innovation dragged General Electric's employees into an endless race, when everyone tried to stay in the top two groups in order to save their positions. However, due to tough reforms, the company's profit by 1985 increased to $ 2.3 billion, which made even the most eloquent critics silent.

But, at the beginning of the decade, Europe was in crisis. The management of the company took full advantage of the situation and by 1995 acquired assets worth more than $ 50 billion. In 1996, several banks were purchased in Eastern Europe, and Pet Protect was the leading company in the British pet insurance market. Each of the purchases eventually paid off, although at first the acquisition of those assets was accepted as risky.

In 2008, another financial crisis broke out, the approximation of which had been foreseen a pretty long time ago. In 2007, he began to get rid of unprofitable and insufficiently promising units. Thus, GE Plastics was sold, which, despite its glorious history, has not brought new discoveries for a long time. The resulting $ 11 billion were invested in other areas.

To summarize, I would like to note that for Americans, General Electric has become a symbol of inviolability and an illustration of the ambitions of US companies, having stood in many crises, from the Great Depression to modern problems. In many respects this ability is connected with the correct selection of leadership. The company created by Thomas Edison was always led by truly talented managers such as Welch and Immelt. In addition, General Electric is famous for its ability to educate cadres, and the history of the brand knows a lot of examples when top managers started out as ordinary specialists.

Let's have a look at the history of GE'S success again and thus analyze, which strategy tactics and methods led them to the top of Forbes Rank? Their strategy started with innovation, and has been continuing with it- even today, this strategy is above of all the others in General Electric. T. Edison, who was a founder of GE, started with innovating: his ideas exploded the world. Even years after, when the humanity did not thought about no more innovations, General Electric proved many times: it is not going to give up on research and development, on innovation and on constantly changing production systems.

Their innovation strategy covered not only electronic lamps, which was their priority at the very beginning; General Electric took advantage of innovating energy, radio technologies, and other numerous spheres of the company's enormous production chain.

In order to restructure their innovation strategy adjusting it to the needs of the company and the environment (example of innovation in the field of the nuclear energy), General Electric restructured the whole systems included in their company. They restructured the whole departments, they changed hundreds of employees in order to please their reputation and their customers. By the example of nuclear energy production and the conflict arisen from it, we can clearly see that at the moment of research & development, GE paid a lot of attention to their consumers' opinion as well. This factor is very important in the analysis of GE's strategy management, as it is well known that in order to be at the top a company should firstly focus on the final needs of the customers, not on the profitability of any good or service.

Let's have a look of how the value of GE changed by the innovation it has presented.

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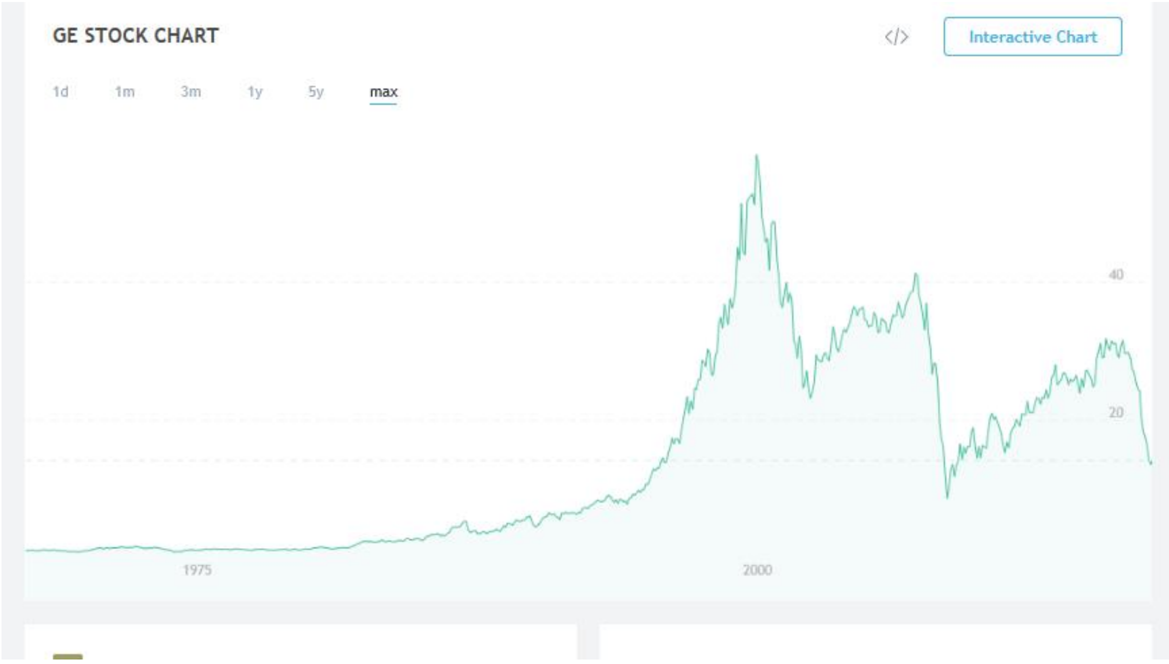


This bar-chart is a clear representation of how the value of General Electric's stock has changed over the years.

We can see that the value of stock has been going all the way up from the 1975. In 1975, was the time of different merges and restructures, as well as the time of improvement of nuclear energy. At this time, General Electric was extremely careful about innovative methods and environmentally-kind production. This is the reason of stable growth of the company's market value.

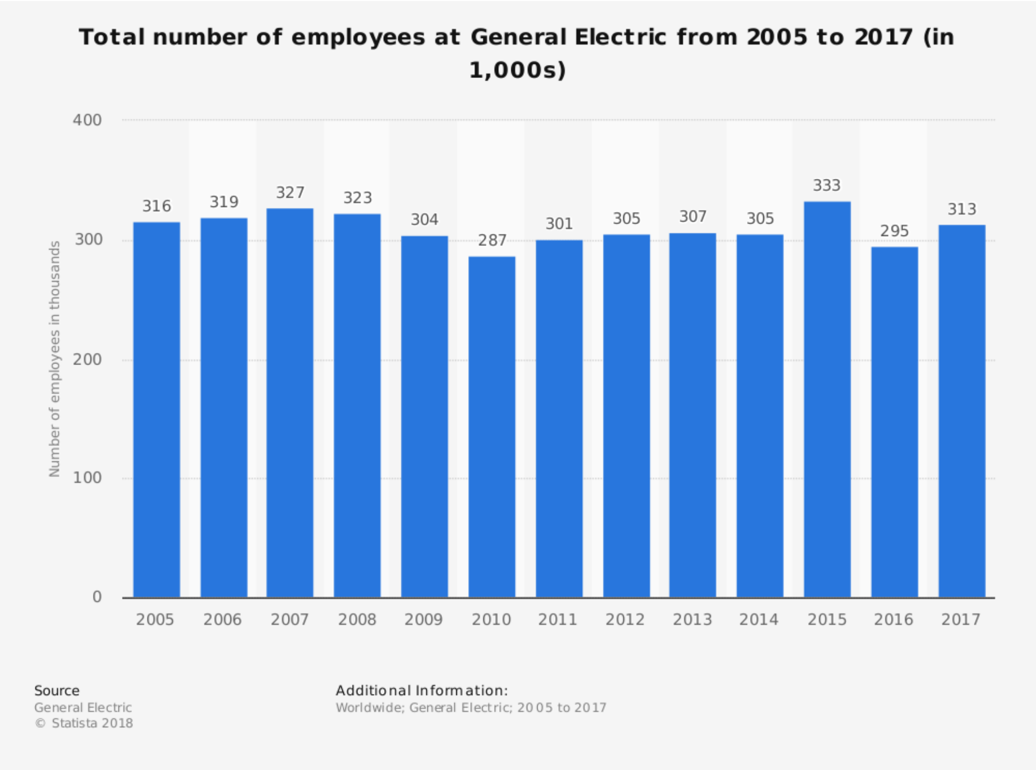
[4] https://www.tradingview.com/symbols/NYSE-GE/

On the other hand, after years of stable growth of GE stocks' value, there is an extremely high racket in the company's value. It is reasoned by the deal made in 1998 and aimed at purchasing a package of car loans, which was estimated at $ 1.1 billion. Welch initially was skeptical about this idea, but he managed to be persuaded. The growth of GE Capital is further linked to many transactions, which at first glance looked insanely, but in the end they made a profit. In 2000, this company brought the conglomerate more than 40% of its revenue which affected the market value directly.

Besides the focus on the innovation, General Electric always remembers and realizes that in order to manage the strategy in a smarter way, they need to have the best, the most motivated and the most skilled employees at the every level of the organization. This company has always showed their strong determination to have the best of the best, and I am not talking about their reputation and market position. The directors of GE that have been changing over the decades have always highlighted the importance of each single worker within the organization. And generally speaking, GE is remembered as one of those companies which has never had any problem while dismissing hundreds of its employees or with closing many and many of its departments, all this in order to restructure the company, with the help of the flexible strategy management that was used over the years. Actually, we can clearly notice how flexible and elastic their strategy management was during the long history of GE's existence.

[5]Here we see the dynamics of the number of employees of General Electric (starting from 2005).

[5] https://www.statista.com/statistics/220718/number-of-employees-at-general-electric/



In this bar-chart, it is quite noticeable that the quantity of GE employees was unstable over the years. The highest percentage of the dismissal was in 2016- the company liberated more than 30.000 employees. The process of mass dismissing started with Jack Welch becoming a director of GE in 1981. His strategy was simple and effective at the same time: he showed the importance of dismissing the employees slowing up the whole production. This kind of strategy enormously helped the company in its hard times: during the crisis, General Electric managed to survive saving billions of dollars on dismissal of "third wheels" and restructuring the whole organization. How did it help not to sink and stay competitive? Let's imagine a small company that was doing great at the very beginning. After a while, the managers saw its performance and profitability in the market and decided to enlarge the company- they recruited more employees, opened hundreds of different departments. As a result, a small company became a giant with a complex structure. This led to complication in managing this complex system and required more investment to be made.

This is true that at the moment of the complication of managing General Electric wasn't a small company at all. But even for a grand organization, management, especially strategic management, will definitely get very difficult to balance if a company is full of "third wheel" employees and needless production units.

After the "abstersion", GE saved more money for smart investment and saved more places for more skilled and motivated employees.

Moreover, General Electronic paid a lot of its attention towards employees' motivation. Above, I discussed the system that was launched by J.Welch. He ranked all the employees depending on their skills and willingness to work. This method helped to decide about which of employees should stay and who of them have to be dismissed. This method also increased the competition within the organization which led to greater performance.

Great performance is not possible without great fails. What are some obstacles that have already retarded GE's potential to go further or may retard it in the future?

One of the biggest mistakes General Electric has ever done in its strategic vision was the fact what the company has never defined the market in a correct way. Jack Welch, GE's CEO from 1981 to 2001, mentioned once that GE would only stay in the market where it possesses more shares. This mention has never had a strong basis, as the definition of the market share depends on the definition of the market itself, which is opinionated notion. Did the managers of GE mean the total sales of a product category? If so, what did they mean by product category? Did they take into account geographical or any other aspects of the category? As the vision of GE about the market they operate in was a little blurry, it was hard sometimes to realize what is going on until it was too late to fix the issues occurred.

This obsolete understanding of the market was pulled out, when in 2015 GE made the dumbest investment in its history: GE purchased Alstrom, a firm producing turbines for coal-burning power plants. The loss was about $9.5 billion and was surely made as the reason of the blurry vision of the market and its real indicators.

Moreover, GE made plenty of acquisitions during its long history of success- but, unfortunately, not all of the merges were success: most of the projects were failed as GE has not showed any strategic initiative in order to adapt to the firms that were merged. But this action was essential at that times as in an acquisition, it is very important to understand the inner culture of a company that you are going to merge with. In order to be the whole, it is vital to think and act as a whole. GE has failed because it did not have any strategy devoted to absorbing the corporate culture of merged firms.

Today, General Electric is on the list of the most innovative companies in the world. The conglomerate is represented in many areas, and its annual income exceeds $ 148 billion, and the new environmental direction and recent acquisitions indicate that several more brand new products will soon be introduced. Analysis shows, that today, GE is not doing its best as it does not have any strategy referred to cultural merge as well as it still does not have any clear vision of the market it operates in. However, General Electric is an excellent example of how a company with more than 130 years of history can remain innovative, no matter what.

Another example of great strategic management was shown by Wal-Mart Stores. This popular company is on the 15th place out of the World's Top 25 Companies by Forbes.

Sam Walton, the founder of Wal-Mart, was born in an ordinary farming family. Since childhood, he has been known for his ability, activity and desire to succeed in all matters for which he undertook.

Being a graduate, Sam became interested in business, especially in retail trade. Walton knew how to sell since his teenage years. During the Great Depression, when his parents were going through hard times, the boy established his own mini-business, spreading newspapers. In order to gain more, he even hired assistants and eventually earned about $ 5,000 a year, which was a solid sum for those times. After graduating from the university, Walton seriously thought about whether to continue learning, but eventually went to work in the store chain as a manager. Despite the fact that the position did not look very prestigious, Sam remained himself, becoming one of the best sellers, while studying the peculiarities of the work of such stores from his own experience.

After a couple of years, Sam Walton opened a small supermarket in Newport, Arkansas. It was difficult to succeed at once in this field. The main reasons were the high cost of rent and fierce competition with a neighboring store, whose owner earned almost twice as much Walton. In the end, Walton's patience collapsed, and he began to break the terms gradually, while doing it very carefully, realizing that the contract he had signed for inexperience could become a dangerous weapon against his business. At the same time, the entrepreneur begins to develop a new method of attracting customers. To do this, he places an automaton with popcorn near the store. After some time, he added the same machine, but with ice cream. Two years later, Walton was able to return $ 20,000 invested in the business.

Walton always dreamed to have something more valuable and significant. Without any kind of help, the entrepreneur made the only right decision - to start the business independently. In order to realize his old plan, he took a large loan from the bank and began to work. The store was opened in 1962, the businessman thought for a long time over the name, eventually choosing Wal-Mart. The first Wal-Mart were discounters, that is, they were aimed at providing customers with the lowest possible prices. In the future, the network grew, and along with it, new directions appeared, such as super centers, providing the opportunity to purchase all kinds of goods: from food to tools. The whole system was designed in order to catch the customer in the giant's network and make it a regular, loyal customer.

Initially, Wal-Mart stores did not yet have their key features: the goods were placed inaccurately (Walton himself would later say that he was scattered). But goods that Wal-Mart offered were approximately 20% cheaper than the competitors' - it's worth saying that most of people were interested particularly in this. Nevertheless, with the placement of goods it was necessary to decide something. In order to solve this problem quickly, a categorization system was created and implemented. Besides that, one of the first problems of Wal-Mart was the search for suppliers. Working with the Butler Brothers, Walton rarely encountered problems in deliveries, but now he got into a sort of circus. Building a brand that presents a huge number of product names, he needed a constant increase in assortment and flexible discounts. Instead, managers had to call to the major brands and to remind them of Wal-Mart’s existence.

On the other hand, it was essentially important to keep prices lower than those of competitors. Walton was inexorable in that respect: he forbade to increase the purchase price by more than 30%, knowing well that this is the key to the victory. Pricing for cosmetics and medicine was even more beneficial.

Perfectly understanding the specifics of trade, the head of the company gave orders to local managers, helping them to increase sales, change the location of goods and even much more. In case if his presence was necessary at a certain store, he did not waste time in vain and sat at the helm of his own aircraft. Thus, each of the directors felt a connection with Walton and understood that his boss controls the process. At the same time, he taught the directors of his stores to send him short daily reports, which included information about the level of sales and consumer demand. It is worth noting that Walton did not overplay with his “control”, allowing managers to come up with a model for promoting goods. In addition, the directors could invest in their own stores (although the amount was not very large: in the late 1950s it did not exceed $ 1000). It is worth, however, to note that the network always emphasizes the possibility of career growth for all of its employees.

In the early stages of Wal-Mart's performance, the company kept itself on two whales: exhibition-sales (i.e attractive representation of goods offered) and constant improvements. Wal-Mart focused on all the most important factors, ranging from the popularity of their own products and ending with the study of the strengths and weaknesses of competitors. The latter were for Walton a kind of textbook: what is worth realizing, and what can not be done. Reminding store managers that they need to learn from competitors was Walton's calling card, and it was the first thing he used to tell them during every reunion.

Along with the development of the staff, the network grew as well. In 1967, there were already more than 20 Wal-Mart stores in the US, and the volume of sales reached $ 12 million. The development of the network led to a wider introduction of the rules that Walton developed since the period of his studies at the university. One of the key became the so-called principle of “three meters”. Each seller-consultant, being at a distance of three meters from a potential buyer, had to offer him or her his help.

Another conceptual feature of Wal-Mart was the opening of chain stores in small towns. This approach looked rather strange considering the size of the stores and the volume of products. Nevertheless, Walton realized that in small towns where people mostly deal with small shops, they do not always have enough goods, and the prices for certain exclusives are much higher. That is why, opening here Wal-Mart with affordable prices and a wide choice of products was definitely a profitable idea.

An important factor in the development of the network was the correct selection of the location of stores. Walton himself said more than once that he prefers to inspect the locations himself. At the same time, there was no universal formula, and while selecting a room, first of all, the characteristics of the city and its population were taken into account.

It is impossible not to mention the attitude of the network management to advertising. At the beginning of the brand's work, this direction took a minimum of funds. Usually it was just an ad in the newspaper that reported the opening of the store. In fact, in this case, the popularity of the brand, the presence of a huge number of goods, low prices and other factors were able to attract the customers immediately: they were ready to come for shopping, despite any location of a Wal-Mart store.

After Walton left his post, David Glass was announced the head of the company. In addition to total success and the position of the market leader, Wal-Mart faced the problem of the lack of a flexible strategy for the brand. In the US, the network positions were extremely stable, but the model required further development for the transition to other countries. For a while, the network's management was considering selling the franchise abroad, but then it became clear that some of the brand's conceptual features could not be implemented without the direct involvement of management. The idea was abandoned, and preparations for independent integration into “abroad” started. However, the growth of the network and its access to international markets did not save the company from a series of high-profile scandals. They began even at the times of Walton, who did not pay much to his employees, though promising them various bonuses.

In the mid-1990s, the management of the Wal-Mart network was charged with low salaries, over work hours and gender discrimination. In 1999, the workers' union of the company made a statement that the wages of ordinary workers are below the subsistence level. The statement caused a wave of criticism from society and caused the brand enormous damage. A new director, Lee Scott, promised to fix the situation. Scott had to deal with a huge number of lawsuits, he was also engaged in establishing the work of the legal department of the brand. At the same time he had to become a public figure and actively comment on each situation. He learned to respond to criticism, began to appear more often in various shows, which gave him the opportunity to immediately respond to any change in the situation.

Scott managed to slightly adjust the public reputation of the brand. At first, the company's share was especially popular, aimed at helping those affected by Hurricane Katrina. Wal-Mart indeed sent there whole columns of trucks with humanitarian aid. The next step was a statement by the head of the company that he did not mind raising salaries for all employees, but he could not do it because of high competition.

Nowadays, the giant is still the largest retail network in the world, which includes more than 10 thousand stores around the world. The company's positions in the US seem unshakable, and even the famous loss of $ 20 billion in 20 minutes cost it no serious harm.

Wal-Mart Stores had a long history of success, but this history was full of negative moments that could collapse the whole company in several days. However, the company survived. It may seem impossible, but Wal-Mart is still on the top of its competitors in the US market.

The first thing that comes to mind when we hear “Wal-Mart” is their cost approach to the strategy. Over the years, the main goal of the company was keeping its prices low. This main argument of that policy was the existence of tense competition in the market where Wal-Mart operated.

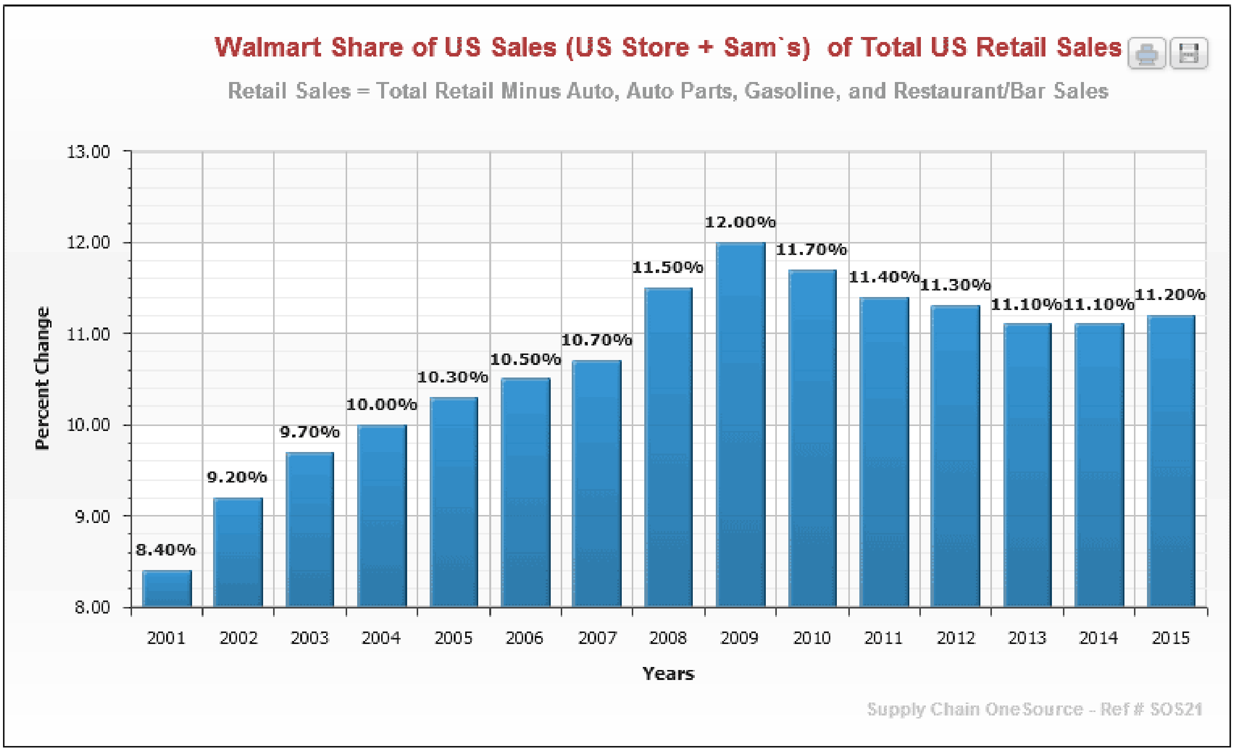
Besides, the implementation of this kind of strategy was explained by the realization of Wal-Mart’s management: they were sure that it is essential to keep the prices low as the first Wal-Mart store was opened in a small town in US, where people could not afford to do shopping in more expensive stores.

Moreover, Wal-Mart has always been offering great discounts, loyalty discounts, and even the days or weeks of discounts, when the prices fell extremely down. This strategy became a credit card of the Wal-Mart, and it plays the same role nowadays.

Another factor in the success of Wal-Mart is its approach to working with suppliers. Unlike many other retailers, Walmart does not work with intermediaries. This policy was approved by the founder of Walmart Sam Walton, who "disdained" mediators. With the help of this policy, the company may easily keep [6]the prices lower than the competitors'.

This bar-chart shows us Wal-Mart's shares of US sales. In other words, this chart represents that on the average, 10.7% of all the US sales fall on Wal-Mart sales.

Another strategy used by Wal-Mart was very important in the condition of such a severe competition. Even being a small newcomer, Wal-Mart management paid huge attention to competitor's behavior, their strategies, strengths and weaknesses. The founder and the first director of Wal-Mart had always reminded this to his employees and managers.



[6] http://www.scdigest.com/firstthoughts/16-03-31A.php?cid=10499

Besides, Wal-Mart has always been paying attention to its structural content. Today, the scale of Walmart's logistics empire is unprecedented. The company has more than 40 regional distribution centers, the area of each of which is more than one hundred thousand square meters. And each distribution center works around the clock to deliver goods to 75-100 stores within a radius of five hundred kilometers. Moreover, about 85,000 employees are engaged in logistics of the company. The question arises: how can Walmart manage such a system of operations? Everything comes down to technology.

In 2006, Walmart introduced the Remix project, which was designed to improve the flow of goods and their availability. In the past, Walmart had two different distribution networks: one for dry products, for example, cereals, and the other for household goods, such as paper towels. Both of these networks included both those goods that are sold quickly, and those that are sold slowly. Nevertheless, Walmart quickly realized that slow-selling products delay shipping operations, because the fast-selling products can not be delivered without unnecessary losses to store shelves as quickly as needed. So, Walmart created distribution centers called High Velocity Distribution Centers for quickly selling products of any category. When the store finds out that a product is running out, it sends the data to the nearest distribution center. Trucks with the necessary goods immediately deliver them to Walmart shelves without any waste of time.

Walmart's attention to technological innovation has allowed it to overtake competitors, because thanks to this the retailer has become much more efficient and, accordingly, was able to provide better services for lower prices. The company's technologies track each product on the

shelves of its stores. And when one of them ends, the computer automatically notifies the warehouses that the delivery is necessary.
It is important that this system generates unprecedented amounts of data, which allows real-time inventorying. These data directly affect the planning of turnover.
By these real examples, we can feel how smartly Wal-Mart manages its strategy, how involving and attentively it acts in order to keep the inner balance of such a complex structured organization.
Close relations with suppliers. A well-thought logistic empire. State-of-the-art technologies. Here are the reasons for the incredible success of Walmart.

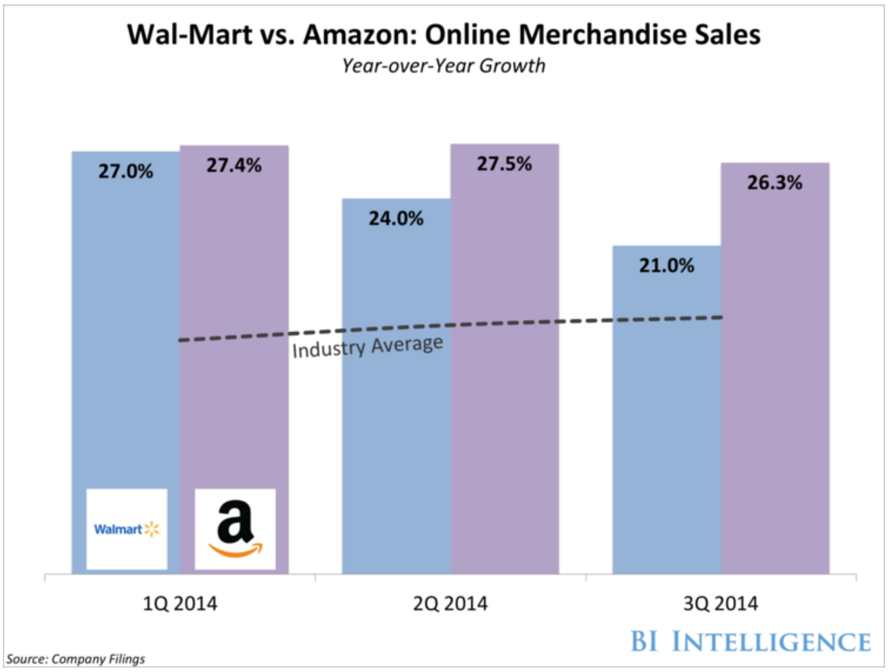
Although Wal-Mart is the largest retailer in the world, but still not all of its potential is realized.
There are two large categories of potential customers who rarely use Walmart services. These are residents of major US cities and foreign buyers.
As I already mentioned earlier, Walmart started with stores in rural areas with low incomes. To grow, Walmart needs to expand to large cities, especially because in many poor urban areas, residents simply do not have access to qualitative inexpensive products. In such areas live about 23 million consumers, so this strategy has a huge potential!
And although Walmart plans to open 300 stores in cities by 2016, the success of such actions is not guaranteed. Still, there is no Walmart in New York. And it's easy to understand why: Walmart hypermarkets are giant, and the costs of real estate alone will be astronomical.

There is a simple solution to this problem: make stores smaller. In 2011 the company introduced Walmart Express, the area of which is only about a thousand square meters. And in such a small area the choice of goods is still at least three times more than in a regular store.

Winning new customers is not the only task of Walmart. A more serious problem is already outlined: analysts expect that in 2024, Amazon will significantly outperform Walmart and become the world's largest retailer. This is possible for two reasons. First, Walmart impermissible neglected online trading. Secondly, with regard to low prices and assortment, Amazon wins Walmart in its own game.

Online sales of Walmart today cost about 6 billion of dollars, which is very little comparing to 34 billion Amazon. The question is, how did it happen that Walmart missed such an obvious source of profit? This is partly true, because Walmart has focused on expanding the hypermarket network rather than on integrating the “online market”. But there is the other reason why Walmart ignores the Internet. Ten years ago, when the retailer just started experimenting with online technologies, most of its target audience was not interested in it.

In other words, Amazon is not just a competitor to Walmart, but a very worthy opponent.



[7]

To conclude: Assuming that there is only one secret to Walmart's success, it should be an incredible efficiency of their strategy management in all respects: whether it is providing a wide choice of goods, managing logistics, negotiating with suppliers or creating advanced technologies. Efficiency is the key principle of Walmart organization: all this in order to offer the lowest prices.

[7] www.businessinsider.com/wal-mart-ecommerce-vs-amazon-2015-7

Conclusion

Strategic management is an iterative, continuous process of positioning a firm in ever-changing competitive environment. Managing strategically means understanding and assessing the state and dynamics of the industry where the firm operates, taking into account the expectations of key stakeholders or support groups and responding to their demands. This requires managers to be able to determine strategic and operational goals in their interrelationships, to identify the strengths and weaknesses of the organization, opportunities and threats emanating from the environment.

These factors, supplemented by many others significant for the planning and implementation of the strategy, represent a variety of combinations that are difficult to classify for certain reasons in the real life. This makes the task of practical use of the main provisions, conclusions and regularities of strategic management extremely difficult. In each case, the success of planning, developing and implementing a strategy depends both on the depth of the theoretical knowledge acquired by the manager in the field of strategic management, and on experience, intuition, and the art of management.

All that is connected with "feeling" of a problem, instead of with the rational analysis, calculation, criteria and the formalized control. Thus, strategic analysis and strategic planning and implementation of the strategy is the process of applying knowledge and experience, using rules and intuition, acting in accordance with established algorithms and innovative breakthroughs.

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