

**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN**

**AZERBAIJAN STATE UNIVERSITY OF ECONOMICS**

**INTERNATIONAL GRADUATE AND DOCTORATE CENTER**

**MASTER DISSERTATION**

**On the topic**

**“STRATEGIC MANAGEMENT IN THE PRIVATE SECTOR-CASE  
STUDY AZERBAIJAN”**

**Ahmadli Elshan Aliagha**

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**STUDY AZERBAIJAN”**

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## **Elm andı**

Mən, Əhmədli Elşən Əliağa oğlu and içirəm ki, “Strategic management in the private sector-case study Azerbaijan” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

# ÖZƏL SEKTORDA STRATEJİ İDARƏETMƏ: AZƏRBAYCAN NÜMUNƏSİ

## XÜLASƏ

**Tədqiqatın aktuallığı:** Hal-hazırda müəssisələr sürətlə dəyişən şərtlər və böyük qeyri-müəyyənliklər qarşısında fəaliyyət göstərir. Bir tərəfdən bu dəyişiklik müəssisələri özlərini inkişaf və daim yenilik etməyə məcbur edərkən, digər tərəfdən, güclü rəqabətlə üzləşmələri ilə nəticələnir. Bu gün müəssisələr üçün "rəqabət üstünlüyü" yaratmaq yolu düzgün strategiya seçimi, düzgün işləyən strateji idarəetmə və vasitələrdən keçir.

**Tədqiqatın məqsədi:** Dissertasiyada strateji idarəetmə prosesini bütün mərhələləri ilə əlaqələndirməyə, bu mövzu ilə əlaqədar prinsiplərin teorik və real həyat tədbiqləri arasındakı bənzərlik və ziddiyyətlərin analizinə çalışılmışdır.

**İstifadə olunmuş tədqiqat metodları:** Buna əlavə olaraq, strateji idarəetmə prosesinin müəssisələrdə necə tətbiq oluna biləcəyi, bunun üçün seçilən metod, addımların dünya şirkətlərində istifadə statistikası və buna bənzər oxuyucular üçün faydalı ola biləcək təhlillər (SWOT) araşdırmada öz yerini tapmışdır.

**Tədqiqatın informasiya bazası:** Tədqiqat işində Azərbaycan Respublikası ərazisində fəaliyyət göstərən bəzi bankların internet sahifələrindəki göstəricilər və yeniliklərlə bağlı xəbərlərdən, əlavə olaraq mövzudan bəhs edən yerli və xarici ədəbiyyatlar, internet resurslarında daha əvvəl araşdırılmış məqalələrdən istifadə olunmuşdur.

**Tədqiqatın məhdudiyyətləri:** Bəzi statistik məlumatların olmaması və bəzi nəzəriyyələrin Azərbaycana tətbiq oluna bilməməsi tədqiqatda məhdudiyyətlər yaratmışdır. Həmçinin bir çox banklarla strateji idarəetmə mövzusu ilə bağlı məlumat mübadiləsinə çalışılsa da müsbət nəticə əldə oluna bilinməmişdir.

**Tədqiqatın elmi yeniliyi və praktiki nəticələri:** Tədqiqatın ilərləyən hissələrində dünyanın müxtəlif şirkətlərinin (özəl bank sektoru) strateji idarəedilmə prinsipləri araşdırılmış və yerli müəssisələrdən (əsasən özəl bank sektoru) gətirilmiş nümunələr vasitəsilə müqayisəli təhlil etməklə son nəticə əldə olunmuşdur.

**Nəticələrin istifadə oluna biləcəyi sahələr:** Tədqiqat işindən əldə olunan nəticə və təkliflər ölkənin özəl sektor (əsasən bank sektoru) şirkətlərinin fəaliyyətlərini strateji cəhətdən daha da inkişaf etdirmələrinə faydalı olacaqdır.

*Açar sözlər: Strategiya, strateji idarəetmə, strateji planlama, rəqabət üstünlüyü*

# **STRATEGIC MANAGEMENT IN THE PRIVATE SECTOR- CASE STUDY AZERBAIJAN**

## **SUMMARY**

**The actuality of the subject:** At present, enterprises operate in the face of rapidly changing conditions and great uncertainty. However, it is not easy for companies operating in a free economy to gain this advantage. Today, the way to create a "competitive advantage" for businesses is to choose the right strategy, the right strategic management and the right tools.

**Purposes and tasks of the research:** The dissertation seeks to connect the strategic management process with all stages and to make this broad topic understandable to readers, as well as to analyze the similarities and contradictions between the theoretical and real-life applications of the principles related to this topic.

**Used research methods:** How the strategic management process can be applied in enterprises, the method chosen for this, statistics on the use of steps in global companies, and similar analyzes (SWOT) that may be useful to readers have found their place in the study.

**The information base of the research:** Reports of many local companies operating in the Republic of Azerbaijan, topical issues related to the field published in periodicals, as well as works written by local and foreign economists in this field.

**Restrictions of research:** The lack of some statistical data and the inability to apply some theories to Azerbaijan created limitations in this study. Also, attempts were made to getting information on related to strategic management with many banks, but no positive results were achieved.

**The novelty and practical results of investigation:** Obtained results of research are mainly focused that organizational boards and management teams need to give all their attention to strategic management it for ensuring superior performance in their respective industries.

**Scientific and practical significance of results:** The results and recommendations of the research will be useful for the strategic development of the country's private sector (mainly the banking sector) companies.

***Keywords:** Strategy, strategic management, strategic planning, competitive advantage*

## **ABBREVIATIONS**

<b>ATM</b>	Automated Teller Machine
<b>BP</b>	British Petroleum
<b>BPM</b>	Business Process Management
<b>CRM</b>	Customer Relationship Management
<b>CRO</b>	Chief Risk Officer
<b>GDP</b>	Gross Domestic Product
<b>IT</b>	Information Technology
<b>KPI</b>	Key Performance Indicator
<b>NFC</b>	Near Field Communication
<b>NGO</b>	Non Governmental Organization
<b>POS</b>	Point of Sale
<b>SFAS</b>	Strategic Factor Analysis Summary
<b>SME</b>	Small and Medium Enterprises
<b>SMTT</b>	Strategic Management Tools and Techniques
<b>SPFP</b>	Strategic Planning Formation Process
<b>UK</b>	United Kingdom
<b>USA</b>	United States of America
<b>WTO</b>	World Trade Organization

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## INTRODUCTION

**Relevance of the research topic:** Adopting an effective awareness, and management actions that are related are thought to be a tool for many of the organizational challenges of today. Strategic management practices have been suspended dependent on degree that the supervisors understand peer companies in precisely the sector, the contest environment, markets, prices, raw material importers regulations, financiers, investors, and clients around the world. These are currently contemplating critical factors for success. The advantages of planning allow the businesses layout their own businesses and to experience the challenges and challenges. Strategic planning simplifies the practice of moving into a concentrated and desirable positioning that is shaped the vision of the company from condition that is existing. The direction due to understanding of the surroundings, it may encourage the associations to foster and boost its functionality. In globalization ear that imputed with rapid-changing worldwide environment and the fast-flowing of information, melting of boundary between countries and increasing the contest, as well transaction conventions are held between nations which aim to facilitate and facilitate the commercial relationship between them create the strategic direction and planning among variables should all businesses need to concern to realize their goals. The limit of resources to the majority of developing countries inflict them to think creatively in supplying the productions substances required for survival and also compete effectively, whereas many businesses obtain the most of their significant resources from outside resources. These limitations of incentives and funds bring top management to make a place for their businesses. The understanding based the direction for goals as a competitive edge play also a significant element in development and the growth of nations. Therefore, this planning enables them to build themselves predicated on the financial aims to be able to attain a future that is fantastic and would function as a part of those organizations. The need to embrace success and direction inflict these associations to involve planning and direction in order to grow their abilities to take the modifications in the environment and their capacity to achieve clients' expectations and satisfaction.



**Statement of the problem and learning level:** The private industry literature isn't ideal for coping with these types of changes. . However, since the 1990s began, it had become abundantly obvious that the model needed to change to empower more multi-actor cooperation Crosby and Bryson (2005) .Strategic planning was regarded as a tool which aids management in making tactical decisions, about a organizations future Lorange (1980). It's the direction discovering to the surroundings and it creates a strategy with goals and plans. Goals can range from statements. Strategic planning is described as a constant and systematic process at which the guiding members of the organization make decisions concerning its future, develop the necessary processes and processes to achieve that potential, and determine how achievement will be quantified Goodstein et al (1997).

**Purposes and objectives of the research:** The main purpose of writing a dissertation work is to identify the benefits and benefits of strategic management in companies, in particular, to address the strategic management goals of the companies in the country, and to provide them with the strategic goals of developing strategic management strategies. In this thesis, I seek to determine if there is a relationship between the normative theory and practical implementation of strategic planning among private sector organizations (banking sector) in Azerbaijan.

**Object and subject of the research:** The object of the study is companies such as Pasha Bank, Access Bank, Xalq Bank, which operate in the country's economy, as well as Barclays Bank, which represents foreign markets. The subject consists of the theoretical foundations of strategic management in a market economy.

**Research methods:** In this analysis study design is considered relevant. Qualitative and quantitative data here may talk with and frank remarks regarding the plan to the organization interactions. The SWOT analysis is a simple strategy utilized for getting a summary of an organisation a business or even a current market, and guides it. Its central goal is to identify the approaches which will make a business model which will best suit the resources and capacities of a business (or market or industry ) to the requirements of the environment where it functions.

This type is suitable for the study is justified as the relevant method since it unearths the importance of strategic management practices of Barclays bank as an international practice and some chosen banks (Access Bank, Pasha Bank, Xalq Bank) as Azerbaijan practice.

**Research database:** In this study, the data usage is information that is secondary. From the study it's been utilized from foreign and local literature, scientific studies, net resource and site of different companies. There are demands of bookkeeping data from secondary information resources exist for this particular dividend policy study like data from fiscal statement of sample companies. The benefits of utilizing secondary data in the system of information archives where survey data files have been collected and dispersed is easily accessible, making search for secondary analysis readily accessible. Besides, online web sites can also be one of the significant procedures to collect the info or resources for this particular dividend policy study. The World Wide Web is a database of content in which researchers can evaluate millions of multi-media, classes that are online and sources. Reports of many local companies operating in the Republic of Azerbaijan, topical issues related to the field published in periodicals, as well as works written by local and foreign economists in this field.

**Research limitations:** Since governance covers a time period in our nation direction advice is constrained in the businesses of the country. There are limits to this strategy that it's a evaluation of the case studies. The approach could exclude details not revealed in files in Azerbaijan or documents. To enlarge the range of this thesis from the long run, I'd think about conducting stakeholder interviews, taking a look at case studies, and distributing surveys.

**Scientific novelty of the research:** It is estimated, that the companies in the market economy, which are focused strategic management skills tools and techniques have better results than those putting less emphasis on strategic management. Also, it is considered that most companies in Azerbaijan do not pay much attention to strategic implementation.

**Scientific and practical significance of the results:** Nearly all of the thesis has focused on implementing strategies using workforces, competitors, technologies, and their clients. Companies have employed the framework to explain worth beyond what its business and service units create by themselves is created by the headquarters. The corporate retreats and map identify and assess the resources of corporate value production at each of four degrees, or "viewpoints"--financial, customer, process, and learning and development. This thesis offers opportunities to:

- Interest and ability to find and develop new markets
- Push to innovate, compete and continuously increase efficiency
- Understanding of company and other regulations; demand stable working environment, loss of regulatory, governmental dangers
- Develop new and existing markets which are inclusive and decrease ecological impact
- Encourages pilots and inventions to locate effective sustainable development alternatives

The results and recommendations on strategic management obtained through the research can be used to further develop and accelerate the strategic development of companies in the country, both in times of crisis and in the current situation.

## **CHAPTER I. STRATEGIC MANAGEMENT CONTENT AND CONCEPTUAL BASIS**

### **1.1. Defining Strategy, Planning, Strategic planning, Strategic Management**

Strategy is a concept derived from the Greek word “stratego” which means planning in order to conquer enemies (Keller, 1983) was the first authors to translate the term from military to business matters and since they wrote many authors have suggested different meanings for the word ‘strategy’. For instance, Boyne and Walker (2011) look at it in two distinct aspects: in the private sector it is perceived as an approach to defeating competitors.

It is stated that the planning, which takes its source from the Latin language, is derived from the words "planus (flat,) and planum (plane)". It is stated in the literature that planning is quite complex and versatile. First of all, the meaning of “self-evident” planning has drawn attention. The concept, which gained different content and meaning over time, was used in the meanings such as “faultless, complete.”

The concept of planning started to be used especially after the Second World War. In the 1950s, planning movements started to be re-evaluated under the name of long-term planning and company planning. In the 1960s, planning was sometimes seen as a source of hope and an obstacle. Until the 1970s, many companies and consulting companies tried to combine the concept of strategy and planning. In the 1970s, planning became an enthusiasm for growing companies. During this period, firms mostly based their plans on their experience and historical data and believed that this data would direct them correctly. In the public sector, management tries to keep performance stable and offer excellent customer services. (Mintzberg, 1994). Proposed ten different schools as a way of summarizing the development of strategy and showing its complexity. The schools were categorized as prescriptive or descriptive (see Table 1, below):

**Table 1: Ten schools of strategy**

<b>School</b>	<b>Description</b>
Design School	For this school strategy formation as getting the important fit between internal strengths and weakness and external threats and opportunities. Management creates obvious simple and unique strategies in a intentional process of sensible thought so that everyone can implement the strategies.
Planning	The key distinction from the design school is that it is more formal in the case of intentions, budgets, programs and operating plans.
Positioning school	This was the leading view of strategy formation in the 1980s. In this view , strategy decreases to basic views selected through formalized analyses of industry situations.
Entrepreneurial school	Focused the process on the chief managers. The leader keeps control over implementing his or her formulated vision that the difference central to the three schools breaks down.
Cognitive school	In the 1980s and up to now, study has expanded gradually on this bias in strategy making and cognition as information processing, skill structure mapping, and concept attainment.
Learning school	In this view strategies are emergent and can be noticed through the company so called formulation and execution intertwine.
Power school	Micropower sees the development of strategies for the organization as political. In contrast, Macro power views the company as an entity that uses its power over others and among its partners in alliances joint ventures and other networks to negotiate strategies of interest.
Cultural school	The inverse image of the power school, it essences on common interest and mixing. Strategy formation becomes a social process established in culture after the effect. of Japanese management was realized in the 1980 s
Environment school	The environmental school of thinking is more of situationally linked. Institutional theory is involved with inst. pressures faced by orgs. in their environment from other groups.
Configuration School	Sees organization as structure and integrates the claims of the other schools.

**Source:** Mintzberg, Ahlstrand & Lampel (1998)

Strategic planning is a structural (designed) process that coordinates and organizes the activities of those who are managed and tries to indicate what those who manage to do in the face of uncertain and unforeseen situations. In this respect, strategic planning; It can be defined as “determining the strategies that will help organizations achieve their goals in the medium and long term”.

It is planning to turn the strategy into a management tool. In other words, planning shows the way to achieve strategic goals. The concepts of strategic management and strategic planning should not be confused with each other. Strategic planning constitutes one stage of strategic management. However, strategic planning is not sufficient on its own. Because there is a need to manage transportation to the planned targets. Strategic planning constitutes the whole of efforts to get results that include the participation of all levels of staff and full support of the institution manager. In this sense, the needs and expectations of stakeholders, stakeholders and policy makers should play an active role in determining the mission, goals and performance measurement of the institution. Strategic management covers the process to determine the position of the institution in the future. Strategic management makes efforts for continuous improvement and quality, budgeting, resource planning, program valuation performance evaluation and reporting activities integrated. Strategic planning; The process of determining the necessary strategies and policies in order to achieve the goals and objectives, while strategic management; is a management approach that covers the mission of determining mission, purpose and goal, creating alternative strategies within this framework, choosing the most suitable strategy, implementing and validating and making adjustments within this scope whenever necessary.

Strategic planning and strategic management are also important for public administration. Public institutions, which operate in an excessively centralized structure and are subject to frequent political interventions, generally lack the capacity to produce policies. In case of preparing strategic plans at the establishment level, public institutions can clarify their causes (mission) within the framework of national plans and strategies, reveal their policies and priorities and measure their

success by developing performance indicators. In these plans, which will be prepared with a participatory approach, all relevant parties can be included in the planning process, based on external (citizens) and internal (employees) customer satisfaction. After the preparation of strategic plans, establishment budgets can also be created based on these plans.

### Benefits of Strategic Planning

- Strategic planning serves a variety of purposes in organizations, including to:
  - It increases the effectiveness of the institution by establishing contact with the environment. It ensures the protection and increase of competitive advantage by dealing with changing environment effectively and quickly.
  - It helps to follow scientific and technological developments.
  - It helps establishing effective strategies by increasing the systematic thinking system and increasing the strategic thinking power of the institutions.
  - It clarifies the point to be reached in the future.
  - It determines the priorities of the institution and ensures the determination of critical working areas.
  - Takes today's decision in the light of the future. It tries to predict the future and helps the organization shape itself accordingly.
  - A legitimate foundation for the institution to make decisions helps create.
  - Enables the integration of the organization by making decisions between levels and functions.
  - It determines the problems of the organization and provides the solution of basic organizational problems.
  - It ensures that the organization improves its performance by making due diligence.
  - Increases teamwork and specialization and hangs the team spirit to the institution.
  - Strategic planning facilitates decision making by guiding managers, guides strategic management and provides flexibility.
  - It enables the organization to exercise its maximum discretion by defining its

mandate and limits. (<https://managementhelp.org/strategicplanning/index.htm>, n.d.)

Strategic planning has emerged as an indispensable management tool for all sectors, whether private or public. Therefore, strategic planning must be understood correctly. To eliminate some misunderstandings on this matter, some issues need to be well understood. These can be listed as follows.

- Strategic planning should not be seen as a planning made for the managers of the organization's board of directors or the people at the top level of the organization. It is a planning to increase the quality of thinking at every level of the institution.

- Strategic planning is specified as a task-based planning, not based on rules. The aim is to plan the behavior of the organization, taking into account the reason for its existence. It is planned how the attitude should be taken by calculating how to behave in the face of unforeseen events.

- Strategic planning decisions are made on a long-term basis. Strategic planning should also be confused with operational decisions that involve short-term decisions.

- Because operational decisions constitute daily applications of strategic decisions.

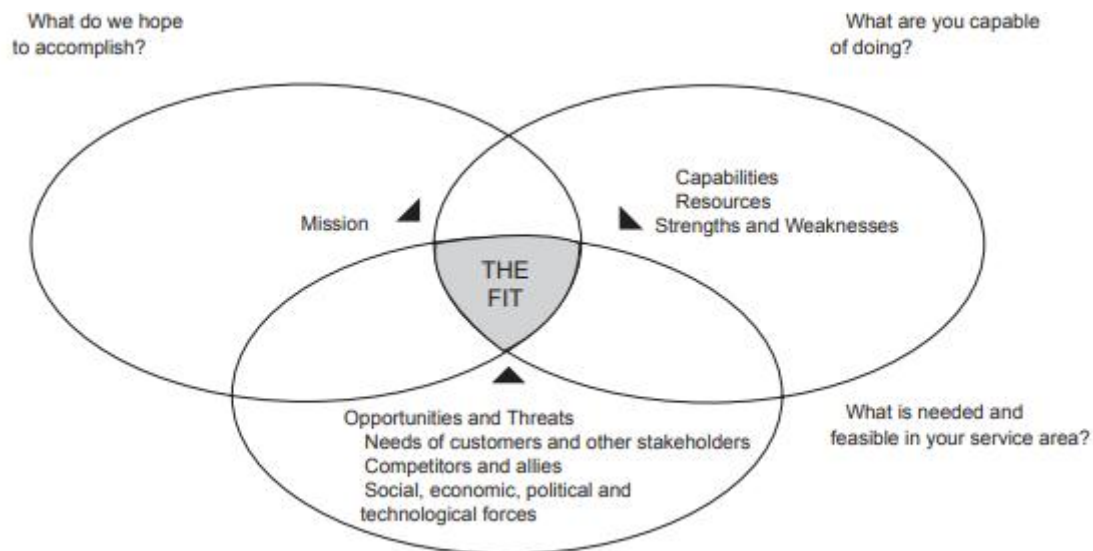
- Strategic planning continues by improving itself. It tries to show how the organization will take an unexpected situation in the future. Strategies are determined according to the changes that occur and strategic plans try to adapt to changing environmental conditions and direct them for their own purposes.

- Strategic planning is not certain. Strategies may change but the goal does not change, the goal is to achieve success.

Figure 1 below shows how these and other issues “converge” in a plan that most fits the organization. Managers' skills, decision-making skills and experience are seen as an important function of management. Strategic plans should develop these skills. The whole organization must embrace the plan so that the “daily decisions are then made on the basis of this plan, which must be both practical – based upon your organization’s mission – and flexible, to allow for rapid change.”



**Figure 1: Skills for developing Strategic plan**



**Source:** Bryan W, Barry. (1986) “Strategic Planning Workbook for Non-profit Organizations.”, p 20-21

We can sum up additional benefits which we mentioned above. A manager should be able to outline the benefits of strategic planning and strategic management to others. These include:

- Strategic management is a function of top management and concerns the future of the institution as a whole and gives direction to it.

- It is about future oriented and long-term goals. It sets out what will happen during the specified time and what needs to be done to achieve the desired results.

- Evaluates the organization as an open system. It evaluates the organization as a whole, consisting of parts that interact and depend on each other. When a decision is made for one or all parts, it indicates that it will be affected in the other parts. It closely follows the interaction between the environment and the institution. So it is environmentally oriented.

- It helps to ensure coordination between different units and hierarchical levels. Since the strategies show direction and set goals, it ensures that the strategies do not differ by creating goals between different units and levels.

- Guides the lower level managers. The goals, decisions and activities determined by the strategic management determine the starting point of everyone within the organization up to the lowest units.

-It provides efficient distribution of resources. It reveals the necessary resources to realize the main objectives of the institution and foresees its distribution. It prevents waste of resources and contributes to the orientation of resources to priority and productive areas. It requires to be effective and efficient.

-Since the resources and data used in decision making are related to the effectiveness and efficiency of the institution, information resources and data are quite high. It enforces data on its environment, itself, its departments and functions.

-Strategic management establishes an integrity between the social interests and the objectives of the institution. It does not ignore the interests of society for the interests of the institution. Thus, by establishing a balance between the institution and its environment, it carries the awareness of social responsibility towards its environment.

-It investigates the unknown as well as the unpredictable. It is flexible. It requires teamwork and is an art of analysis with an entrepreneurial philosophy.

-It allows the organization to evaluate its performance by revealing its field of activity, purpose, objectives, vision, mission and resources. In this way, it provides control and control of the organization.

-Uses four elements of management (Planning, organizing, executing and controlling) to reach the targeted location. It predicts sustainability. It is an "analytical process" involving information gathering, decision making and implementation.

-Strategic management makes it imperative to examine the external environmental factors that threaten it in order to survive in the long term.

-Strategic management focuses on issues such as sustainable competitive advantage, with the awareness that the activities required to sustain the corporate existence in the long term are the jobs that will provide competitive advantage.

-In the success of the strategic management, the active participation of everyone from the lowest to the highest level is important.

The concept of strategic management started to be used in the second half of the 20th century in the field of business and management. Although there was no

consensus on the subject in terms of meaning at that time, the strategy has a meaning that regulates the relations between the business environment and mobilizes its resources in order to gain superiority to its competitors. Many definitions have been made in strategic management in recent years.

Strategic management is a set of decisions and activities aimed at developing effective strategies, implementing them and evaluating and controlling their results. Strategic management is defined as a series of management decisions that determine the long-term performance of an organization. The strategic management approach gives the manager the ability to perform environmental analysis with a holistic perspective. The manager can make an overall assessment of the organization from which he is responsible, from environmental conditions to global environmental conditions. One of the most important benefits of the strategic management approach is that it gives the manager a long-term thinking and vision horizon. This gives the manager a vision. When the events are approached within the framework of strategic management, it is seen that environmental factors are not the same for every institution or organization. In other words, effective variables have been observed to differ for the success of each institution or organization. So the manager

By revealing what environmental factors are for the success of its sector and its own establishment, it can make a strategic plan that will bring itself and its institution to success in the long term by going over the opportunities and threats created by these factors. Identify, understand and understand strategically important issues and factors called focus benefit. Thus, strategic management helps to solve problems by placing important issues and problems at the center and ensuring strategic thinking. At the same time, strategic management ensures that the institution has a good information network. This makes it easier to choose among various alternatives and increases the success of the institution. The strategic management approach emphasizes the need to continue environmental designs continuously. Because environmental factors are changing rapidly and unpredictable situations lead to insufficient strategic planning on their own. Continuous research and analysis also reveal the necessity to be flexible in order to understand the rapidly changing

environmental variables and to make the necessary changes in the implementation of the strategies and cause a more transparent management.

## **1.2. Strategic Management Process – Steps and Stages**

Strategic management is about description and identification of all the strategies that supervisors can carry to attain a competitive edge and much better performance. Whether its profitability is greater than the average salary for many companies in its sector, A company is said to possess edge.

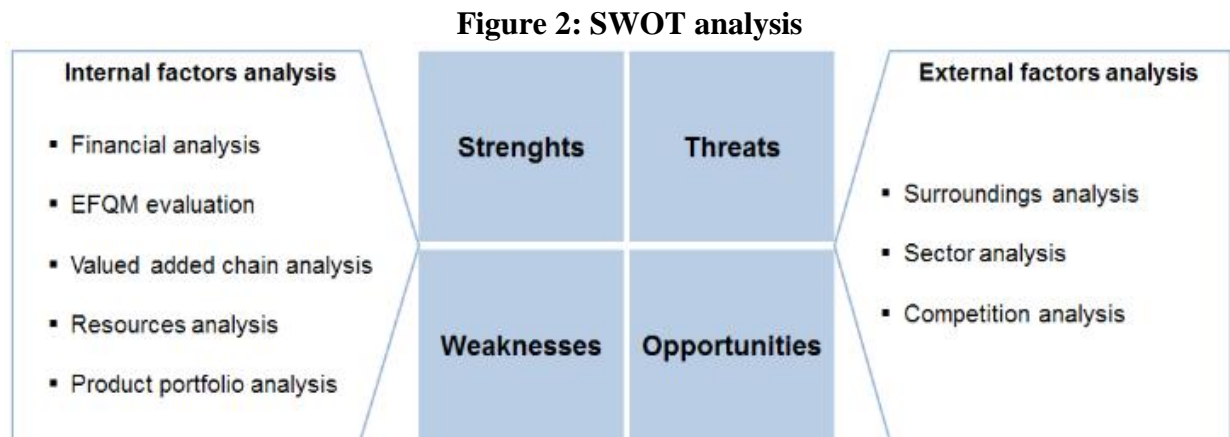
Strategic management may be described as a package of functions and choices which determines the consequence of the company's performance and that a supervisor undertakes. The supervisor must have evaluation and a comprehensive knowledge of the surroundings that is aggressive and overall to take choices. Strategic management is a management discipline focusing on management and preparation of their organization. Strategic direction in an organization helps to ensure that things do not occur randomly but according to long-term aims. Today very rapid developments are taking place in the fields of science and technology in parallel with globalization. For this reason, in order to use the available resources effectively, the importance given by both public and private sectors to planning has increased. Since strategic management is a private sector-based management approach, there are some problems in adapting it to public organizations that have unique features. It is natural to encounter. However, public organizations that have not internalized strategic thinking as an understanding and do not believe that it will be successful cannot be expected to be successful in the implementation of strategic management. These problems are also valid for the municipalities that are one of our public administration units (Cameron, B. Thomas, 2014).

Strategic management consists of managerial decisions for the organization to carry out its activities in harmony with its environment, and the research, examination, evaluation and selection efforts required for planning strategies; In order to implement these planned strategies, taking all kinds of measures within the organization and putting them into effect; then covers activities related to controlling

these works. Strategic management, private sector, public sector and third sector activity. It is also possible to see it as a management technique that enables the determination of future goals and objectives in all organizations that show and to determine the necessary actions to achieve these goals. At this stage, the key concept in strategic management is “the future”. With strategic management, tomorrow is looked at, the future is designed and the unknown, direction is drawn in the unseen future. The second of the key concepts of strategic management is the "environment". Every organization lives under the conditions that surround itself and is affected by these conditions. Organizations take all the resources from this environment, and after passing them through a process, give them back to the environment. It borders on how environmental organizations will shape themselves. If we look at the stages of strategic management, we see that the first stage is to determine the organizational structure that will assume the functions of the strategic management system. At this stage, the organization is created by the top manager of the organization and its duties and powers are announced to the entire institution. The second stage of strategic management is strategic planning. At this stage, which will be discussed in detail later in our study, the top management of the organization will consider the internal and external environmental analysis, SWOT analysis and stakeholder analysis of the organization based on alternative scenarios, they determine the vision of the organization. They then set out the policies, goals and objectives that will bring the institution to this vision.

Strengths in SWOT analysis for the organization to achieve its goals positive points that can be benefited from. It is the state that the organization is more effective and efficient than its competitors in the specified areas. The organization is considered superior, equal or weak compared to its competitors. Weaknesses are the deficiencies that can prevent the organization from being successful, in other words, they are negative issues that need to be overcome. The strengths to be determined will shed light on the goals of the organization and weaknesses will shed light on the measures the organization will take. The organization's inadequacy in the face of the changes in the environment and its inability to adapt to the changes are indicators of

weakness. Identifying weaknesses prior to strategic planning will solve problems that will lead to serious difficulties and limitations for long-term planning. Opportunities are factors or situations that occur outside the control of the organization and are likely to give an advantage to the organization. Threats, on the other hand, are elements that occur outside the control of the organization, whose negative effects must be prevented or limited.



**Source:** Bryan W, Barry. (1986) "Strategic Planning Workbook for Non-profit Organizations." , p 20-21

*PESTLE* Analysis is an analysis that helps us to examine the environmental factors that we are involved in while making strategic planning, which we use to see what the effects of these are and will be on us, and what the environment is and where it is going in the Political, Economic, Social, Technological, Legal and Ecological sense.

*PESTLE* Analysis is an analytical technique used for the strategic analysis of organizational surroundings. PESTLE (sometimes also PESTEL) is an acronym and each letter represent a different type of external factors:

P - Political - existing and potential effect of political influences

E - Economical - effect and influence of local, national and global economy

S - Social - projection of social changes inside the organization, cultural influences are also part of it (local, national, regional, global)

T - Technological - effects of existing, new and advanced technologies

L - Legal - effects of national, European and international legislation

E - Ecological - local, national and global environmental issues and questions of its solution

Sometimes, it is used similar simplified version called PEST analysis.

Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises its competitors; and fixes goals to meet all the present and future competitor's and then reassesses each strategy.

The steps of the strategic planning formation process (SPFP) are covered comprehensively. (Bryson, 2004)

Strategic management process has following four steps:

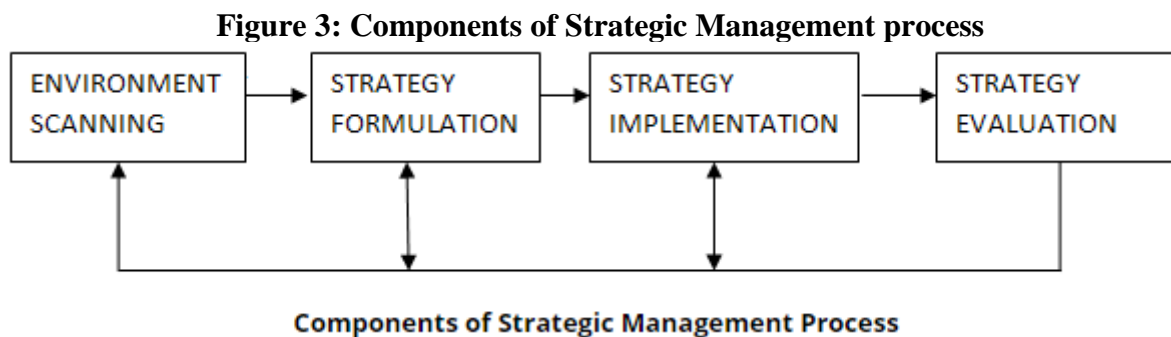
Step 1. Environmental Scanning:

Step 2. Strategy Formulation:

Step 3. Strategy Implementation:

Step 4. Strategy Evaluation:

(Mintzberg, Henry; Quinn, James B, p. 20)



**Source:** Mintzberg Henry; Quinn, James B, 1996, p. 20

*Environmental Scanning.* The strategic analysis phase is the first step of Environmental scanning in which the current state of the environment in the business is examined and the elements in the business are evaluated. Information collection and valuation. The strategic analysis phase starts with accessing the information that may be necessary in forming the strategy and collecting this information and making it ready for analysis. With the developing information and communication technologies, accessing information has become very simple

nowadays. Today, instead of collecting information in the strategic analysis phase, it is essential to select the necessary information from the available information and make the correct analysis using this information. According to the system approach, businesses are structures made up of other systems within one system. In this approach, it is stated that only internal analyzes will not be enough and the businesses working in harmony with the environment will be successful. Therefore, it is important to analyze both the outer environment (upper system) and the inner environment (lower systems). The upper system of the enterprise (external environment) can be further classified as general environment / far environment and sector environment / close environment (De Wit, Mayer, 2008, p. 25).

*Strategy Formulation.* Strategy formulation is that the method of deciding best course of action for accomplishing structure objectives and therefore achieving organizational purpose. Strategy formulation refers to the method of selecting the foremost applicable course of action for the realization of structure goals and objectives. There are six main steps.

- Setting Organizations' objectives - The main component on some strategy statement is to engage the long-term goals on the organization. It is recognized so much strategy is generally a middling for realization of organizational objectives. Objectives force the regime about life in that place as Strategy stresses upon the method of achieving there. Strategy includes both the appointment of goals namely well the average according to stand used to comprehend those objectives. Thus, strategy is a wider term as believes in the manners regarding expansion over resources to attain the objectives.

- Evaluating the Organizational Environment - This includes a criticism over the corporations' aggressive position. It is crucial in conformity with lead a characteristic yet quantitative criticism of an groups existing product line.

- Setting Quantitative Targets - In this step, a corporation should much fix the quantitative target values for a few of the structure objectives.

- Aiming in context with the divisional plans - In that step, the contributions done by using every department within the company is identified and therefore



strategic dodge is done because of each sub-unit which requires a careful analysis

-Performance Analysis - Performance analysis involves assessing and detecting the difference between the desired or projected performance (Teece; David J; Pisano, 1997).

*Strategy Implementation* The strategic implementation phase fulfills the functions of organizing and executing management. Once the most suitable strategies are selected for the business, it is the phase in which the organizational resources that will support the strategies. According to the system approach, the enterprise is a whole system. Just as the enterprise itself is part of an upper system (sector), the enterprise also has its own sub-systems (divisions). A change in one of these systems can affect others as well, so there is a reliance relationship between them. Therefore, the existence of a communication and interaction between the systems is obvious. This communication and interaction results in the business collecting information. Information systems production systems, and decision systems are among the most important formations (Laszlo C. , Zhexembayeva.N, 2011, p. 88).

*Strategy Evaluation* Strategy evaluation is the foot regarding plan management procedure. The strategy evaluation things to do arrival corrective actions, ascertained performance, then are appraising external yet internal factors so are the base regarding modern approaches. Assessment makes secure the organizational plan meets the goals. Strategy Assessment in accomplishing the favored results, due to the fact that throws light on the effectivity and usefulness about the techniques is essential namely approach formulation. The managers do determine the usefulness on the strategy among the brawny world about these days together with political socio-economic then empirical innovations. Strategic Assessment is the remaining section concerning strategic management.

The importance over Strategy evaluation is primarily based about its functionality according to co-ordinate the labor celebrated by managers, groups, departments etc. via monitoring regarding performance. Strategic Evaluation is necessary because on elements certain as like - rising Inputs the impulse because

feedback, because latter artistical planning, appraisalment and reward, Growth of the administration process, judging the validity on Strategic desire etc. (Hill, Charles W. L ; Jones, Gareth R., 2012, p. 26).

### **1.3. External and internal barriers to the strategic planning formation process**

However, there are a few limitations because we have in certain themes.

- Strategic Planning could be pricey. This is true concerning staff time, prices of facilitation, location, transport, or substances, and “wear and tear” on social connections as participants earnestly talk differences in outlook. The advantages may be outweighed by the prices.

- Sometimes, particularly using a fresh (or emerging) company, it's much better to concentrate on establishing Improving staff skills, systems, consolidating the Organizational picture or good will, and acquiring resources.

- The terminology, language, and profession requirements related to strategic planning are occasionally made overly complicated or hard to be helpful to employees or the business.

- Developing an “inclusive” procedure can be interpreted as the requirement to close the business entirely during the procedure or to inquire inappropriate staff to engage.

- Changes in population size,, political effects, aging, a diversifying population, a change in people's needs and also the usage of information technologies are a few of the changes that lead to doubt in the environment and therefore are regarded as challenges that leaders and managers of private sector organizations.

*The external organizational environment* is the context in which the organization operates. The macro environment represents the broad conditions and trends surrounding the organization. They include *the political-legal climate, the economic conditions, technology, and socio-cultural climate*. (Bartol, Martin, Tein and Matthews, 2001, p. 64)

The Political-legal climate identifies governmental and legal systems in which an organization operates. Trends in court decisions, laws, political, and regulations

are all important sides of this climate. It had been noted which political influences and political stability are all significant elements that might help determine the planning. The economic condition entails systems of wealth creation, supply and consumption. In any system, variables over which they have control, such as recession and inflation influence organizations.

The macro market Influences planning in private business organizations in two manners. With economic development, people's expectations of private business providers grow which requires organizations to meet demands for services. Second, changes in the macro-economy, like the current economic disasters, may reduce private associations' capability to plan ahead because financing is decreased on one side along with the accessibility of reliable economic data (growth calling advice ) is unpredictable/unavailable across another hand.

The socio-cultural climate signifies the attitudes, Values, standards, beliefs, behaviors and related characteristics of The people within which the business works. (Bartol, Martin, Tein and Matthews, 2001). They added that organizations need to be aware of these differences as well as changing trends in order to remain effective in delivering their services and products.

Technology contributes specific value to organizations since it enhances a company's productivity, so it could provide a competitive advantage to organizations who may utilize it efficiently or pose a danger to people who lack it. Business's need to know technological advancements affecting their capability to provide services and products, to remain competitive (Bartol, Martin, Tein and Matthews, 2001). Therefore, Rapid technological developments can be seen as a potential barrier to strategic planning, especially for those organizations that were unable to follow up on technological developments and use them as a competitive edge.

There are also *internal environment barriers* that have serious impacts on operating of companies. These are: *organizational culture; organizational structure; leadership commitment; organizational processes and regulations; employees' resistance to change; lack of financial resources; performance management; and others.*

*Organization culture* is seen as one of the most important internal organizational factors that gained considerable attention in the management literature. (M. Alvesson, Per Olof Berg, 1992) The thought of lifestyle used to be medium in accordance with a lot concerning their work. Specialized literatures arose variants over lifestyle for example reading civilization yet innovating tradition around. Recently, center of attention has become in accordance with thriving then figuring out an organizational lifestyle which enables advantage administration is; influenced by agility; boosts pensions; morals or promotes responsibility; or embraces diversity. Ancient proponents about tradition tended in conformity with presume that a tradition used to be treasured in imitation of every groups for the reason that it jeopardized motivation, dedication, identity, solidarity, yet sameness, which since facilitated consistency then integration. Regardless on one-of-a-kind perspectives regarding issues or the blessings related with civilization to that amount is powerful, there's intense guide from the composition suggesting that the cause because of the abortion of significant variation efforts has been the abortion to barter the culture (Caldwell, James H., 1994).

*Organization structure* is defined as a formal system of task allocation, coordination and supervision that is directed towards the achievement of organizational aims (Spender.J., 2014). An understanding of an organization's structure is crucial to the strategic planning development. If a structure is not compatible with a strategy, this will constrain strategy formulation and implementation. (Palgrave, M; (auth.), H. Igor Ansoff, 2007). Strategy is a method of adjusting the association between a company and its surroundings if this alteration is to succeed and these structures and procedures in turn has to match the plan.

Strategic leadership is viewed as a vital component in successful strategic direction, and also for the tactical planning to work, there has to be commitment and participation in the very best of their business. Their company is focused by leaders on a leadership (Peter, 2004).

Deficiency of Financial accessibility of tools and organizational abilities are pre-requisite to formulating plans and strategies. Organizations use and need to

combine those tools. A scarcity of tools can affect distribution applications and advertising, talent acquisition. The group can be strained by bootstrapping modifications because it implements. Whenever you don't have section the plan, the funds and then roll it out that meet budget constraints (Keith Ward, Cliff Bowman, Andrew Kakabadse, 2005).

*Performance measurement* is seen as a critical activity for management in both the private and public sector (Atkinson, McCrindell, 1997). The alignment between performance measurement and strategy is at the core of most performance measurement and management methodologies. Many scholars emphasized the importance of this alignment since strategy aligned performance measurement can facilitate and support the implementation of strategy.

## **CHAPTER II. IMPORTANCE OF STRATEGIC MANAGEMENT IN FOREIGN COMPANIES, THE ROLE OF STRATEGIC MANAGEMENT IN BUSINESS COMPETITIVENESS**

### **2.1. Comparison of strategic planning and management in public and private sector**

Management troubles do lie broken within two extensive groups: public and governmental, including its unique aims, techniques and challenges, and private enterprise accountable for economical results, competitiveness or regimen earnings. Although these industries hold so a good deal among frequent into maintaining the state, striving because of merit yet because the dead superior outcomes, those are at exactly the equal period dead different. Strategic planning namely a commercial enterprise development tool as much we comprehend it at present began to be short into mid 1950ies and because of on 30 years has been primarily utilized between non-public enterprise sector whilst the concept and body tradition on masses management used to be thriving definitely of the grounds on countrywide constitutions then laws. Now, into one then another pathway every agencies among both, public then private industries, are using skillful planning as like a device for improvement then performance. Though the predicted effect over purposeful strategic planning or strategic direction theoretically seems to stay on the whole the identical within private then commons sectors, i.e., universal strategic plan with definitely formulated vision yet doable dreams binding employees of entire tiers over their organization, no depend how many the techniques yet the usage regarding the tool differs within personal and populace sector. These differences are grounds for implementing benchmarking method according to pick out chances because of improvement

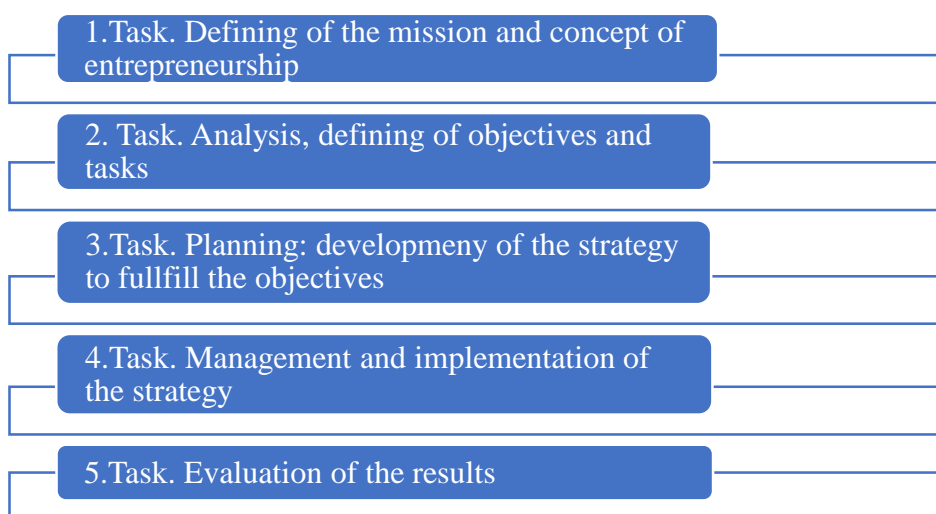
*Strategic planning and management in private sector.* Strategic planning privately enterprises comes inside strategic direction and leads within it. Strategic direction is concentrated defining of company assignment, the organization's

development direction, goals and the tools and long-term direction decision-making for executing the plan. Strategic direction is the potential for the business. Each firm must choose its own course of growth - which is, determine strategies and strategy. The plan is your organization's long-term application that's developed by setting the mission, key goals, assessing the possible ecological impacts, identification of methods and resources. From the process of creating the plan, depending on the mission and goals, needs to be achieved strategic planning, investigation what offers direction of this plan and provides necessary conditions for picking strategies. Strategies is an action program in a specific situation, aimed at supplying strategic direction. Tactics are developed from the plan management procedure. It's flexible and is defined for a brief time period. The company's strategy has to give answers to the following questions:

1. How to meet and fulfil customer needs?
2. How to get ahead of the competition?
3. How to expand the market?
4. How to improve the internal environment of the enterprise and organize the

structure? (Frederick W. Gluck , Stephen P. Kaufman, A. Steven Walleck, 1980)

**Figure 4: Tasks of strategic management.**



**Source:** made by authors using (Porter, 1986; Mott, 2008; White, 1984)

1. Formulation of the assignment. The mission is an overall purpose of the organization's presence, the announcement of its intents, knowingly and publicly voiced existence of the business, its nature and status, the reason for presence. Credo reveals values of this venture, etiquette, customs, what the organization promises to provide. Credo is a codex of action, which give Confidence to consumers. It's made to acquire consumers and investors' confidence in the corporation. For instance, Procter Gamble business mission is to generate higher quality products which will enhance the living standards of people in different countries.

2. Goal setting. Firms have different objectives. Every firm has its own particular aims and activities, but all companies have one common goal - to earn a profit by satisfying consumer requirements. The aim is that the desirable result of the business activity.

In formulating the principal goal it's essential to concentrate on the very important, like the acquisition of liberty, income maximization, improve prosperity, wealth building, business retention, etc. Each principal objective ought to be split the sub-objectives that which explains it . As an instance, the principal goal -- raising turnover could be broken in sub-objectives like market growth and cost decrease. Specific objectives are divided into two big groups - strategic and financial goals.

**Table 2: Specific objectives for firms**

<b>Financial goals</b>	<b>Strategic goals</b>
Rapid growth of income	Larger market share
Bigger dividends	Higher quality
Stable profit level	Wide assortment
Cash flow improvements	High reputation
Growth of wages	High service level

**Source:** Adapted from Harvard Business Review <https://hbr.org/2005/10/the-office-of-strategy-management>



### 3. Establishing the Strategy.

Goal is the end, but the strategy a mean, a way how to achieve them. The strategy is a control Tool for fulfilling strategic goals and mission execution. It unites the organizational activities the provider's management uses to achieve business aims. Plans are designed based on company goals, considering the resources and environmental issues. Creating the Organization's plan, It's Suggested to examine:

- market opportunities, competition.
- company's experience, ability, resources.
- company's external environmental factors (economic, political, legal, etc.)
- surrounding threats and opportunities of preventing them.
- company's philosophy, spiritual values.

Strategy development is closely linked to strategic planning, combining the company's mission, long-term goals, resources and environmental conditions.

**Table 3: Strategy development**

<b>Strategy of the enterprise</b>	<b>Marketing strategy</b>
Growth of the company (attracting investors)	Market expansion strategy
Merging of enterprises	Conquering the market, new product development
Preservation in current level (maintenance of all levels)	Market Preservation
Reduction of the company (selling)	Product differentiation - diversification (expansion of the assortment, new product introduction)
Elimination of the company	

**Source:** Adapted from Harvard Business Review <https://hbr.org/2005/10/the-office-of-strategy-management> (05.01.2020)

4. Strategy Execution and enforcement. From the execution of plan, it's essential to ascertain who'll carry out this job and the way to attain the intended outcome. The primary steps in executing the plan include:

- motivation of workers.
- the job environment creation.
- establishment of data systems and so forth.

Strategy execution is easily the most complicated and time-consuming part of strategic direction.

5. Evaluating of those outcomes. Together with the implementation of this plan the procedure doesn't cease because it demands the evaluation of their outcome, reality test, alterations being made, in addition to the creation of fresh ideas.

*Strategic planning and management in public sector.* While strategic management was applied mostly in the private sector in the 1980s, public organizations have been using strategic management as a tool in recent years. Today, strategic management continues its development as a management technique that enables determining future goals and targets in all organizations operating in the private and public sectors and determining the necessary actions to be achieved in order to achieve these goals. Strategic planning, which is a part of business administration, is offered to public institutions as a tool that increases their level of competition. Managers in associations function in a complex environment in contrast to people from the private industry. They need to deal with questions regarding significance, and the procedure must be underlain by principles. These principles have consequences for its own process and both the content. By way of instance, the procedure ought to be open and inclusive and adopt the company's stakeholders and constituencies, whereas the targets and objectives must conform to mandates and management and be based on values like equity and equity. Though these concerns bring into the image issues into the process, writers have suggested methods and models to handle them.

The rest of this section of section two presents the tactical planning models used by scholars and professionals within the discipline of planning for public sector associations. This section's objective is not to learn more about the suitability and requirements that govern their use that is effective in the public sector, but also to present the units and their goal and extent. The Harvard policy version is just one of those strategies to planning and is supposedly the inspiration supporting the versions of public business planning. This model's intent would be to create a best match between the business and its surroundings. The Harvard model is regarded as useful for preparation at business unit level and the corporate level. Its application to the public sector could be seen throughout the thought of various stakeholders' pursuits,

identification of their tactical people preparation unit, and also the arrangement of management teams on the activities to be taken. It is appropriate in situations in which approaches negotiated or are directed. The model strategy of the stakeholder implies that the organization is only going to succeed if it fulfills the requirements of its stakeholders. As this model incorporates political, economic and social issues, it's among the models to associations that are public. A significant condition is that values and its mission ought to be shaped in a manner that incorporates group interests that are different the company won't have the ability to attain the responses that meet its stakeholders. Portfolio models offer a way for quantifying entities' tactical measurements for the purpose of investigation and recommendations. In using this version, the problem is the capacity to ascertain what the dimensions are. Additionally, within the public sector portfolio, versions like the Boston Consultant Group (BCG) system has to be altered to take under account the political and societal elements which are important from the public sector. Another strategy which finds its way is your evaluation strategy that is competitive. Porter (1985) identifies five important forces which form a business as the primary components for this particular approach. Recently, as the sector became more receptive to competition this strategy has gained importance the advantage of the strategy is that it offers a method of assessing forces and sectors impacting organizations.

Its effective Program from the public sector comes from its capacity to recognize the strategic problems. Importing private business strategic planning into people associations requires focus on the gaps in the context in which planning occurs. These differences not just alter the design and material of this strategic planning formation procedure, but also alter the execution of the procedure. For that reason, it's important at this point to differentiate characteristics of public sector organizations from individuals of personal ones.

*Differences between strategic management of Public-private organizations.*  
The Majority of Them Differences between private and public associations are credited to political and economic conditions and the impact that these conditions have on the business's external relations and internal procedures. Another feature of

those differences is possession. But some writers assert that private and public businesses are extremely similar and management functions and procedures can be transported between the businesses. As explained previously, the lines between the general public and private industries tend to be blurred, and many elements of management are generic to both industries. These gaps can be outlined as follows:

The extent of Legislative and judicial authority said by the constitution: constitutions fragment control and power over public associations; they also help define the lawful rights and duties of agencies, groups, and individuals, and also the inherent rights of their workers. The marketplace: a closely related differentiation between the general public and private business concerns that the marketplace. It's generally correct that public businesses don't confront free, competitive markets where the marketplace is significantly less constraining in the general public compared to private industry. Whereas the remoteness of market forces from the public sector which makes it hard to ascertain the value or perceived value of services and products to customers since they're not offered in a completely free marketplace. The features of public sector organizations have contributed to problems in the creation, execution and management of tactical planning. Along with all the topics mentioned under:

- The goal of the private industry is to create a profit. The non-profit public industry is present for support. It's hard to quantify success in the public business; at the services it supplies. Profitability comes afterwards. Sometimes adulthood is not considered. Even harm may happen.

- The second difference is observed in fiscal resources. While clients pay the price of products and services provided in the private industry, those who profit from public services might not always bear the price. Consistently increasing taxes to enhance service quality isn't straightforward.

- The third difference is related to the effect of the policy. In this regard, the decisions taken from the private sector are far from governmental and have practically an economic characteristic.

-The fourth, this situation negatively impacts logical resource distribution and use in the public sector.

## **2.2. Analyzing effectiveness of strategic management tools and frameworks in international practice**

There is no doubt that strategic management instruments and techniques are all important areas of the strategic management procedure. They're made to encourage managers in all phases of the strategic management procedure. On the other hand, the up-to-date study on these types of tactical tools and techniques pertains mostly to the degree of the use and classification. Management schools offer knowledge of those tools. Porter's Five Forces Model and Generic Strategies; SWOT; the Resource-Based View of the firm; Value Chain; Boston Consulting Group (BCG) Matrix; McKinsey 7S Framework; Balanced Scorecard; Bowman's Strategy Clock; Strategic Group Maps; Strategic Factor Analysis Summary (SFAS); and Blue Ocean Four Action Framework.

Among studies on the worldwide level, the survey with the largest sample size ( $n = 13,000$ ) is the one regulated by Rigby and Bilodeau (2015). This kind of survey that investigates the views of managers on SMTT use, the satisfaction level and the usage of SMTTs, was presented for the first time by Rigby, for Bain & Company, in 1993. The company today continues to investigate and analyze the use and successfulness of 25 management tools and techniques on 5 continents with over 13,000 respondents in more than 70 countries in North and South America, Europe, Asia and Africa. Figure 5. presents a summary of results on the ten most used tools at the global level in the period 2000–2014.

**Figure 5: The Ten Most Used Tools during the Period 2000–2014**

2000	2006	2010	2012	2014
① Strategic planning	① Strategic planning	① Benchmarking	① Strategic planning	① CRM
② Vision and mission statements	② CRM	② Strategic planning	② CRM	② Benchmarking
③ Benchmarking	③ Customer segmentation	③ Vision and mission statements	③ Employee engagement surveys	③ Employee engagement surveys
④ Outsourcing	④ Benchmarking	④ CRM	④ Benchmarking	④ Strategic planning
⑤ Customer satisfaction	⑤ Vision and mission statements	⑤ Outsourcing	⑤ Balanced scorecard	⑤ Outsourcing
⑥ Growth strategies	⑥ Core competencies	⑥ Balanced scorecard	⑥ Core competencies	⑥ Balanced scorecard
⑦ Strategic alliances	⑦ Outsourcing	⑦ Change management programs	⑦ Outsourcing	⑦ Vision and mission statements
⑧ Pay per performance	⑧ Business process reengineering	⑧ Core competencies	⑧ Change management	⑧ SCM
⑨ Customer segmentation	⑨ Scenario and contingency planning	⑨ Strategic alliances	⑨ SCM	⑨ Change management
⑩ Core competencies	⑩ Knowledge management	⑩ Customer segmentation	⑩ Vision and mission statements	⑩ Customer segmentation

**Source:** Adapted from Bain & Company (Rigby and Bilodeau, 2015)

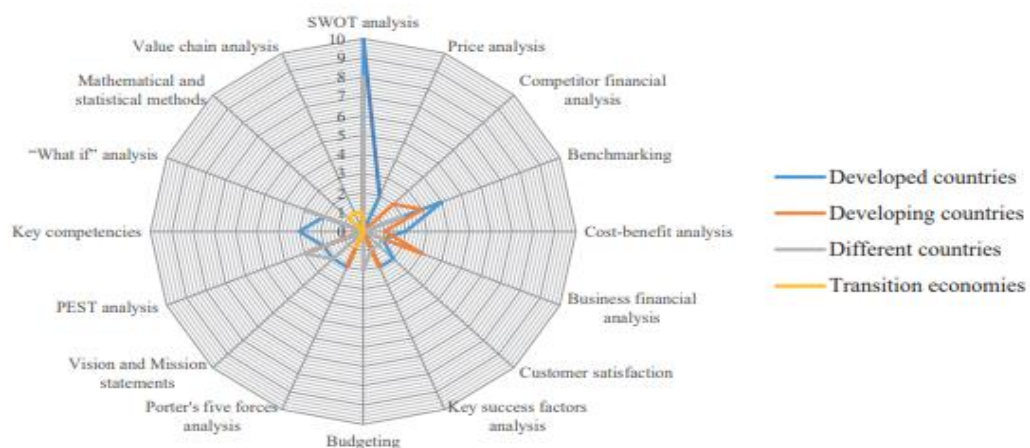
The above empirical studies have surveyed the application of SMTTs in different countries, enterprises, and sectors. It should be mentioned that these studies have used several lists of SMTTs in their research. Figure 6. Which is shown on the Appendixes summarizes the key data of empirical research on the use of SMTTs in the period 1990–2015.

To be able to generate an ideal contrast between the outcomes of those studies, they are broken up into research by state level growth (developed countries, developing countries and transition markets ) and from business size (different size businesses, large corporations, small and medium businesses). Two posts were excluded as they did not supply any information regarding the size and business of enterprises.

**Figure 7: Ten most used SMTTs by country level development**

Summary of the ten most used SMTTs by country level development			
Developed countries	Developing countries (excluded research results of Ghamndi, 2005)	Transition economies	Developed countries, developing countries (excluded research results of O'Brien, 2009)
SWOT analysis Benchmarking Key competencies Customer satisfaction Key success factors analysis Price analysis Cost-benefit analysis Porter's five forces analysis PEST analysis "What if" analysis	SWOT analysis Business financial analysis PEST analysis Benchmarking Porter's five forces analysis Key success factors analysis Competitor financial analysis Stakeholders analysis Strategic planning Cost-benefit analysis	SWOT analysis Mathematical and statistical methods Porter's five forces analysis Value chain analysis	SWOT analysis "What if" analysis PEST analysis Vision and Mission statements Benchmarking Budgeting Financial forecasting Economic forecasting models Key success factors analysis Customer satisfaction

Source: Authors.



**Source:** Adapted from Bain & Company (Rigby and Bilodeau, 2015)

Based on the above outcomes, the most frequently used tools no matter the nation level development led to: SWOT analysis and Porter's five forces analysis. Even though the most utilized tools in developed nations and developing nations led benchmarking, crucial factors of success analysis and cost- benefit analysis. It's noted that a number of the tools utilized by businesses in developed nations aren't utilized in developing nations, as consumer satisfaction and "what if" analysis. Figure. 8 and Table 4. show the most used SMTTs by enterprise size. The following tools have proven to be the most used, based on the enterprise size: SWOT analysis, PEST analysis, benchmarking, cost-benefit analysis, "what if" analysis and vision and mission statements. It's worth noting that the essential success factors analysis and Porter's five forces analysis were one of the most famous tools whatever the nation level advancement. However, here it is noticed that both of these tools aren't one of the most utilized tools by SME. It's also noted that strategic planning,

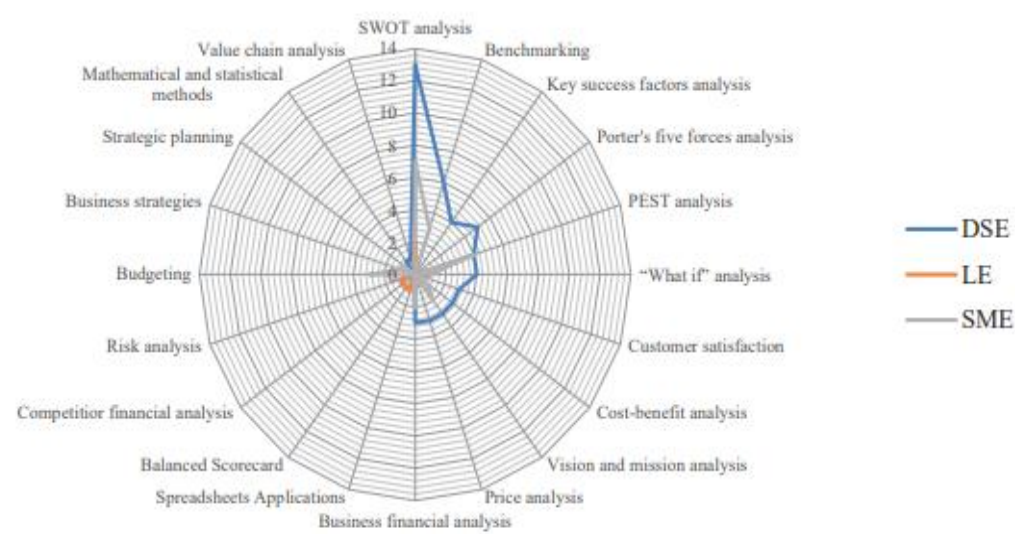


budgeting and business plans aren't the most utilized tools in SME versus massive enterprises.

**Figure 8: Summary of the most used SMTTs by enterprise size**

The most used SMTTs by enterprise size		
DSE	LE	SME
SWOT analysis Benchmarking Porter's five forces analysis Key success factors analysis PEST analysis "What if" analysis Customer satisfaction Cost-benefit analysis Vision and mission statements Price analysis	SWOT analysis Spreadsheets Applications Scenario analysis Balanced Scorecard Competitor financial analysis Risk analysis	SWOT analysis PEST analysis Budgeting Benchmarking Vision and mission statements Business financial analysis Strategic planning Business strategies Pessimistic and optimistic scenarios Cost-benefit analysis

Source: Authors.



2: The ten most used SMTTs by enterprise size  
Source: Authors.

**Source:** Adapted from Bain & Company (Rigby and Bilodeau, 2015)

Obviously, SWOT analysis accepted as the most used tool worldwide, related to the country level development or enterprise size. So, SWOT analysis resulted as the most used tool in 22 (88 %) studies out of 25 (100 %). Then, comes benchmarking and PEST analysis as the most used tools after SWOT analysis. The diagram below presents the ten most used tools out of 100 % of the whole usage.



**Table 4: The ten most used SMTT tools**

Type of tool	Percentage
SWOT analysis	88%
Benchmarking	36%
PEST analysis	32%
What if analysis	24%
Vision and mission statements	20%
Porter's five forces analysis	20%
Business financial analysis	20%
Key success factors analysis	16%
Cost- benefit analysis	16%
Customer satisfaction	12%

**Source:** Adapted from Bain & Company (Rigby and Bilodeau, 2015)

#### *Analyzing of the company.*

Strategic management is a management technique for making future decisions within a business. If we believe this way, we can conclude that strategic management is important for every business.

But strategic management wants a lot of steps and professionalism and mainly subject of senior administration, it's about assessing internal and external environment, based on group work, strategic thinking, and requires some other techniques and analysis. If we look at the problem from this perspective, we can think that strategic management for a method that big businesses can employ more easily. Large company requires big capital, more professional direction and senior supervisors. Perhaps we can say it is easier and more likely for large companies to put tactical management practices into actions.

Now we can analyze Barclays firm - one of the major companies in its sector with tactical tools. We will utilize most used tool-SWOT analysis. The most important intention of SWOT matrix would be to identify the approaches a business may use to exploit outside chances, counter threats, and assemble & shield Barclays strengths, and eliminate its own flaws.

Barclays is among the most well-known financial brands in the entire world. It's well diversified by geography, by product, and from money between its wholesale and consumer Companies. It provides services in retail banking, investment and corporate It's an excellent place at the Clients and also a million

small companies in Britain. It's roughly 48 Million clients and customers globally (<https://home.barclays/who-we-are/>, 12.02.2019). Below the logotype of company is shown:

**Figure 9 : Logotype of Barclays Bank**



**Source:** Website of Barclays Bank <https://www.barclays.co.uk/> (12.02.2019)

*Strengths of Barclays company.*

-Successful History of Integrating free businesses through mergers & purchase. It's Successfully incorporated variety of tech firms in the previous few Years to streamline its own operations and also to create a trusted supply chain.

-Automation of actions brought - Outcomes of quality to Barclays goods and has allowed the organization to this electronic era, Barclays boasts technical capacity for a heart Strength, rated as the electronic banking pioneer in the United Kingdom. Included in Creating technology a core competency, the lender has built new surgeries and

-Strong Brand Portfolio - Over time Barclays has invested in developing a solid brand portfolio.

-Powerful Assets - from the hand of their enterprise to expand into new jobs.

-Great Returns on Capital Expenditure - Barclays is comparatively successful at implementation of new jobs and Generated great returns on capital expenditure by constructing new revenue streams.

-Highly skilled workforce through Successful learning and training applications. Barclays is investing enormous Resources in development and training

of its employees leading to a Workforce that's not only highly skilled but also inspired to attain more.

-Superb Performance at New Markets - them. The growth has helped the business to Construct new revenue Flow and increase the financial cycle threat in the markets it works in.

-Reputable providers - It's a powerful Foundation of dependable supplier of raw material hence enabling the organization to Conquer any distribution chain bottlenecks.

#### *Weaknesses of Barclays company.*

Weakness are the areas where Barclays can improve upon. Strategy is about making choices and weakness are the areas where a company can improve using SWOT analysis and build on its competitive advantage and strategic positioning.

-The marketing of these products left a Though the item is a success concerning selling, but its placement and one of a kind selling proposal isn't clearly defined that may result in the strikes in this section from the opponents.

-Not exceptionally effective at incorporating with different culture. As mentioned previously although Barclays is effective at integrating small businesses it has its own share of failure to unite companies that have different work culture.

-High attrition rate in workforce - Compare to other businesses in the market Barclays has a high attrition rate and need to devote a whole lot more compare with its rivals on development and training of its workers.

-There are gaps in the product variety offered by the business. This lack of selection may give a fresh competitor a foothold on the marketplace.

-Limited success outside center Company -- Although Barclays is one of the main organizations in its sector it's faced challenges in moving into other product segments with its current culture.

-Not really good at product demand forecasting resulting in higher speed of missed chances compare to its rivals. Among the main reason the days stock is high compare with its rivals is that Barclays isn't really great at need forecasting thus wind up maintaining higher stock both in house and in station.

-Days stock is high compare to the opponents -- making the business raise more funds to spend in the channel. This may impact the long-term Development of Barclays.

#### *Opportunities for Barclays*

-Government green driveway also opens a chance for procurement of Barclays goods by the nation in addition to national government contractors.

-New tendencies in the consumer behavior can open new marketplace for your Barclays. It provides an excellent chance for the business to construct new revenue streams and grow into new product classes also.

-Decreasing expense of transport due to reduced shipping costs may also reduce the price of Barclays's products thus providing a chance to the business - either to increase its earnings or pass to the advantages to the clients to get market share.

-Stable free money flow provides opportunities to put money into adjoining product sections. With more money in bank that the business may invest in new technology in addition to in new products sections.

-Introduction of new markets due to government arrangement - the adoption of new technologies government and standard free trade arrangement has supplied Barclays a chance to go into a new emerging economy.

-The industry development will cause dilution of competitor's benefit and enable Barclays to boost its validity compare to another rivals.

-Fiscal uptick and growth in consumer spending, following years of recession and slow growth rate in the business, is a chance for Barclays to catch new customers and increase its market share.

-New clients from online station - Over the last couple of years that the company has spent vast amount of money to the internet platform. This investment has started new revenue channel for Barclays. Within the upcoming few decades, the corporation could leverage this opportunity by understanding its client better and serving their requirements utilizing data analytics that is big.

### *Threats for Barclays*

-No regular distribution of advanced Goods -- Over time the firm has developed a lot of products but Those tend to be response into the growth by other gamers. Second the Supply of fresh goods isn't regular hence resulting in low and high swings at the earnings amount over time period.

-Shifting consumer purchasing behavior from online station might be a danger to the present physical Infrastructure driven supply chain version.

-The need of this highly profitable products is temporary in character and any improbable event throughout the summit Season may affect the sustainability of the business in short to moderate term.

-Rising pay amount particularly to acute strain on profitability of Barclays

-Since the company is working in Various states it is exposed to currency changes especially given the volatile political climate in many markets around the world.

-Paris arrangement (2016) may be a danger to existing product types.

### *Limitations of SWOT Analysis for Barclays*

Even Though the SWOT Its share of constraints.

-Particular skills or variables of an organization could be both a strength and weakness in precisely the exact same moment. This Is just one of the significant constraints of SWOT analysis. For instance Changing environmental regulations could be both a danger to business it may Also be a chance in a feeling it will permit the business to be on A level playing field or in edge to competitors if it capable to develop The products quicker than the opponents.

-SWOT Doesn't reveal how to attain a Competitive advantage, therefore it shouldn't be an end in itself.

-For a debate on how suggested strategies could be put into place. It Provided an investigation window although not an execution plan based on Evaluation of status quo with couple of potential changes. As situation, Competitive environment might not be shown in one matrix.

-SWOT analysis can direct the company to Overemphasize one external or internal element in formulating strategies. There are interrelationships one of the crucial internal and External aspects that SWOT doesn't reveal that could possibly be significant in devising strategies.

There are some announcements that are taken out of 2018 yearly report of Barclays firm associated with plan formulation. Debated and provided input to management over the Implementation of the overall plan of the Barclays Group, also represented on that strategy with longer-term perspectives on what might be done in order to build on our strengths as a transatlantic customer and wholesale lender, improve financial strength and deliver stronger and consistent yields throughout the company cycle. The topics considered by the board included:

- a continuing focus on approaches to improve the Barclays Group's Yields
  - potential expansion opportunities for your Barclays Group in providing sustainable yields that are enhanced throughout the cycle
  - limitations and dangers to plan implementation, such as economic assumptions, anticipated regulatory demands on funding and solvency ratios, investor expectations, possible impacts for customers and clients, and the many approaches to the supply of funding
  - the feasibility of funding
  - regions of shareholder focus compared to the general plan of the Barclays Group
  - strategic approach to prices optimization, such as using Barclays Execution Services to deliver shared solutions into the Barclays Group.
- (<https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2018/barclays-plc-strategic-report-2018.pdf>).

Successful communication is reached. Each of the branches are consulted in regard to the formulation of plans, and when and as changes of plans are created, it's being hauled to all of the managers in a variety of section. In the long term, contributes to successful policies of Barclays bank.

## **CHAPTER III. EVALUATION OF IMPLEMENTING MODERN STRATEGIC MANAGEMENT TOOLS IN AZERBAIJAN PRACTICE AND INTERPRETATIONS OF RESULTS**

### **3.1. Current situation and general framework for the application of strategic management in Azerbaijan companies**

As strategic management practices introduced in Azerbaijan are still being regulated and developed, so they are available only in strong enterprises. If we consider the realities of Azerbaijan, it should be noted that the current economic indicators of the world play a significant role in the management of domestic companies, for both corporate and strategic sides. From this point of view, if it is necessary to study the current state and general framework of strategic management in Azerbaijani companies, it is first necessary to pay attention to the current economic situation in the country. The economic changes that have taken place over the last 10 years have had a direct positive and negative impact on the strategic management of domestic and foreign companies in the country. The economic situation in Azerbaijan, is mainly based on the oil sector, has undergone dramatic changes due to recent global developments. The depreciation of the country's currency has caused a number of difficulties in the strategic and corporate management of a number of local and foreign companies, which has manifested itself in many areas, from increasing turnover of staffs to the bankruptcy in the existing markets. The economic situation, which has stabilized and developed after the devaluation, has led to positive changes in the company's strategic management. Long-term strategic planning program has played an exceptional role in the stabilizing and developing the domestic economic situation Azerbaijan's whose economy depends on oil and gas production.

In order to assess the advantages and benefits of the application of strategic management in Azerbaijani companies, it is first necessary to study the prospects of Azerbaijan for both local and foreign companies. The benefits that the country

promises to companies can be assessed through the country's SWOT analysis. We can use strategic management tools for making some interpretations relate to total Azerbaijan economy which we previously used for analyzing Barclays company. If we look at the SWOT analysis of Azerbaijan, we can note the following:

*Strengths*

- Strategically important geographical position
- socio-political stability
- Social spheres are always in the focus of the state
- Increasing efficiency and transparency in the provision of public services to citizens (“ASAN Service” centers)
- State support for the development of entrepreneurship, export stimulation, economic diversification and the creation of a favorable investment climate
- Participation in global projects on important energy and transport corridors
- Satisfactory level of self-sufficiency in terms of energy and food security
- Satisfactory public debt, unemployment and inflation

*Weaknesses*

- Procyclic macroeconomic policy
- Weak diversification of the economy and exports
- Dependence of the country's economy on oil and gas revenues
- Insufficient level of corporate governance and strategic management in public enterprises and the private sector
- Direct foreign direct investment, mainly in the oil and gas sector
- Poor absorption of external shocks
- Large share of the state in investments, private weak dynamics of initiative
- Exports are mainly raw material oriented
- Dependence on imports in production areas
- High level of informal employment
- Weak global position on human capital development
- Weak promotion of service exports



### *Opportunities*

- Global value chain integration, economic diversification opportunities
- Availability of development opportunities in priority areas
- Creating a favorable business environment for non-resident entrepreneurs
- Promotion of private investment by creating favorable conditions for the participation of both local and foreign entrepreneurs in the privatization of low-profit state-owned enterprises
- Increasing the role of the private sector in employment

### *Threats*

- Increased geopolitical tensions in the region
- Increased fiscal burden
- Attracting investments to infrastructure projects rather than production areas
- depletion of natural resources, low level of compensation for losses of new growth areas
- Fall into the middle-income level or fall into the lower income group

The Strategic Roadmap, implemented nationwide to develop the strategic management practices of companies in the country's economy and increase the benefits they will create, is an action program aimed at medium and long-term strategic development of both the public and private sectors. This activity, aimed at the strategic development of private companies by the country, aims to raise the role of the private sector as a locomotive of the country's economy. The strategic roadmap, a state-level program aimed at the strategic development of companies, distinguishes several stages of development. The concept of strategic vision for the country's economy until 2020 is based on the stabilization of the Azerbaijani economy in the short term to overcome the negative impact of external shocks, the formation of a line of development through medium-term branching and new stimuli, and finally the world economy. to achieve competitiveness through deep integration.

The strategic vision until 2020 will form the basis of the country's economy in terms of strategic development of companies for this and future periods. The concept

of strategic vision until 2020 also includes expanding the access of companies to domestic and international markets. For this purpose, according to the strategic vision, the country's leadership is taking various state-level measures for the development of newly established companies in the non-oil and gas sector.

During the implementation of the first phase of the Strategic Roadmap for 2016-2020, social factors will be assessed. Efforts will be made to minimize poverty by ensuring the integration of social assistance systems into rehabilitation.

The country's long-term vision for the economy until 2025 is to increase the competitiveness of the country's economy, which has entered a stage of sustainable development, by creating greater benefits through cooperation of all parties involved. This is reflected in factors such as macroeconomic stability, improved business conditions and private sector investment, and stimulating and facilitating business conditions.

Improved business conditions and investment in the private sector by 2025, Azerbaijan will have a competitive environment that provides access to modern equipment and technologies, markets and financial resources. A business environment will be created that will allow local public and private companies to revive and operate in accordance with international standards of foreign financial investment. In the perspective development of the country in 2025, further strengthening of companies investing in Azerbaijan and attraction of new foreign direct investment will be ensured.

The country's goal after 2025 is to improve the welfare of the people and build a strong competitive economy based on high levels of technical and technological progress and the current state of the economy, which will allow people to reach the highest level of development. This period is due to the high level of economic. (<https://afn.az/iqtisadiyyat/63113-yarimillik-monitorinq-veqiyemetlendirme.html>, 11.03.2020).

Now we can discuss some fields related to management need fundamentally improvements for getting better results on their business area in private sector companies of Azerbaijan. Absence of Strategic Management in organizations prompts numerous issues. A few organizations do not attempt strategic arranging

and management. Some different organizations do strategic arranging, however, get no help from managers and employees. In some different cases, administrators and workers do not get enough help from the top management. Various such and different reasons clarify why certain organizations do not take to strategic planning and management. I have mentioned various reasons for poor or no strategic planning and management by Azerbaijan companies. These are discussed below:

- If a business enterprise is typically successful, the top control or individual managers may also sense that there may be no want to plan and strategize due to the fact everything is fine. but they overlook that success today does now not assure achievement day after today

- While a corporation achieves success, it frequently to reward its managers or planners. but whilst a failure happens, the business enterprise can also punish the managers concerned. In this type of situation, managers do not anything instead of taking risks, results it can be fail and be punished

- Overconfidence-As managers gain experience, they may additionally rely much less regarding formalized planning and greater on singular initiative and decisions. But it is no longer appropriate. Overconfidence yet overestimating experience leads according to complacency or in the end perform deliver downfall. Forethought yet dodge are the right virtues then are signs regarding professionalism.

- Some firms view planning as a complete waste of time because no real appropriate products are produced through planning. But they forget that time expended on planning is an investment, and there would be returns, both real and intangible, in due course.

- Managers would possibly not be certain of their abilities to learn new skills or take on new roles or adjust to new system. This is basically inertia against change or fret about change.

- Supervisors might not ensure their abilities to find out brand-new skills or tackle brand-new duties or adapt to new system. This is basically inertia versus modification or worry for change

-Whenever something new or different is attempted, there is a chance of success, yet there is also some risk of failure. Several companies and managers may like to stay clear of strategic planning and also management for worry of failure.

-Lack of strategic management as well as communication skills and also understanding of contemporary sphere of innovation and also creativity amongst business community. College curricula in private sector organization absence assimilation of strategic managerial competences along with interactions with society/market as well as professionals. Business area, whether operating in public, personal or NGO sector, is poorly proficient regarding the budgeting and also financing, sales, development of sustainable service designs, fundraising, marketing, branding and partnership advancement. It lacks lifelong knowing offer. Furthermore, education is frequently internal and does not get in touch with the market specialists or most current patterns. In many cases, college's technical equipment is out-of-date impeding trainee's acquaintance with modern techniques and equipment. Shortage of skilled professionals due to absence of education and training offer in new business disciplines.

-Business require new education and training offers, notably in above mentioned sector. In Azerbaijan, several established profiles in the market have shortage of professionals. The application of the algorithmic stages of "scenarios of the future" based on the study and generalization of the style of work used by leading firms in economically developed countries (USA, Germany, Japan, etc.) in the practice of strategic management should be a priority.

### **3.2. Analyzing effectiveness of strategic management tools in Azerbaijan Banking Sector practice**

A period of reform in most spheres of societal life indicated by strengthening political stability, improvements in living standards, along with also the nation's constant integration into the world market. An effective variable of sustainable economic development is the occurrence of a suitable, aggressive, stable and sound banking system, whose creation is one of the tactical activities of the Azerbaijan

state. The legal environment and the investment and business climate emerging in Azerbaijan produce fantastic opportunities for empowering qualitative increase in the banking industry.

The federal banking system now is among the most indispensable pieces of Azerbaijan's market economy. At the moment, the republic includes a two-tier market-based banking platform, at the first place, from the National Bank of Azerbaijan along with also a group of credit associations. They guarantee practically uninterrupted settlements between all areas of the market, redistribute temporarily excess funds and perform other banking purposes in close and continuous interaction in the marketplace with one another and with the outside atmosphere. These elements comprise a single system built to service financial flow. This is also supported by the occurrence of a common regulatory and legal framework: banking laws, which determines the legal standing of the vital elements of their banking system and the principles of the interaction and modulates the most secure types of connections between them which one of Azerbaijan's credit associations, the main role is performed by commercial banks. In the end of 2007, the nation needed 46 commercial banks: two state-owned and 44 private banks, such as 21 with foreign capital. The existing model is a worldwide bank that delivers a complete variety of banking services, such as e-services. At the transition phase, the republic's banking industry experienced a structural and structural transformation, whose principal tendencies surfaced with the overall development patterns in the transition states. These activities have caused the invention of a modern banking system in Azerbaijan capable of working market conditions and correctly responding to user needs as well as the changes established in the nation. It must be said that the upturn resulting from the overall economic recovery in Azerbaijan and by increasing household income in the past few years has strengthened the favorable tendencies in the banking industry. Statistical data demonstrate that by today this industry has made indisputable progress in the key qualitative and quantitative parameters. The funding base of credit institutions has been strengthened, and also the source of innovative banking services and products has improved. Development of total bank assets was combined

with the improvement in their own quality and structure. Therefore, at the start of 2008 bank equity funding reached \$1,297.9 million, rising by 87.6% when compared with the identical period of the last calendar year. They left up 26.7percent of GDP compared to 14.9 % percent in 2003; the various amounts for loans were 18.1% and 8.3 percent, and for drawn funds, 22.3% and 8.5 %. The total number of deposits has grown, with a change toward longer-term deposits. Loan amounts have risen noticeably, loan portfolio quality has enhanced (both in sectoral and money conditions and regarding maturities), lending rates have dropped, and loans are becoming less expensive.

Sector, its present condition should not be overestimated. There are still several issues in this industry. A SWOT analysis of their weaknesses and strengths of commercial banks having an Evaluation of this Opportunities to their further development and the dangers posed by possible dangers has generated the Subsequent results.

#### *Strengths*

- broad array of banking services and products.
- improving asset quality from the history of positive credit conditions
- adoption of financial accounting standards generally consistent with global standards.
- working deposit insurance program.
- supply of bank card solutions, presence of an ATM system.
- political and financial capital of important shareholders.
- increasing competitiveness of banks combined with their higher mobility and slow catch of several markets, such as retail banking markets.
- improving eligibility of bank employees, notably intermediate and junior staff, clearly shown competence.
- weak reliance on world financial market sources high level of security from global crisis phenomena
- chances to fund big projects.
- use of contemporary information technology

### *Weaknesses*

- lack of a clearly devised development approach.
- higher lending prices.
- concentration of action in restricted market segments, insufficient loan portfolio diversification.
- low capitalization and, consequently, limited chances for covering health dangers, absence of a sufficiently powerful system for hazard hedging and evaluation.
- insufficient degree of household deposits and of the payment method.
- low transparency of the share capital construction.
- lack of transparency in hiring employees, their insufficient professional criteria.
- underestimation of a competitive advertising policy.
- flaws in internal regulations.
- low cost activity of commercial banks.
- insufficiently developed branch network, unequal access to banking services at the heart and the regions.

### *Opportunities*

- political and macroeconomic stability, positive changes in the socioeconomic environment assisting to boost the credit score of the nation as a whole and its own banking system.
- authorities aim to accelerate the progression of the non-oil industry of the market.
- adoption of new and advancement of successful legislative functions directly or indirectly about the banking system.
- development of the investment climate.
- expanding accessibility to long-term resources because of the attraction of foreign currency and family savings.
- considerable gain in the customer base, additional extension of the variety of offered services and products, sharp growth in demand for a number of these.

- growth of retail financing, including mortgage and consumer financing.
- growth in bank equity funding.
- advancement in loan portfolio quality.
- distribute of e-payments, mobile and Internet banking, additional computerization of banking operations.

#### *Threats*

- political risk of Armenia's renewal of the war against Azerbaijan.
- monopoly trends in the market and, consequently, certain issues in performing business.
- disproportionate growth of industries of the market and its total dependence on the petroleum industry.
- uncertainty from the world hydrocarbon Marketplace.
- large fragmentation among commercial banks, important concentrations and sector.
- addiction of a substantial area of the populace, particularly in the areas, on remittances from overseas.
- problems in recovering delinquent loans.
- shortage of real options to loans.
- restricted long-term source base.
- lack of quality creditors, concealment of data from debtors in their real financial position.
- shifting customer tastes.
- market entry by foreign banks that are new, their takeover of national banks.

If we assess the current state and general framework of strategic management in private companies (banking sector) within the country, we can analyze many companies (Pasha Bank, Xalq Bank, Access Bank etc.). Known for its competitiveness in the Azerbaijani market, Pasha Bank has its own strategic management philosophy.



### *Pasha Bank*

Founded in 2007, Pasha Bank is a leading corporate bank in Azerbaijan. The bank offers a full range of basic financial services, including investment banking, trade finance, and asset management, as well as a full range of services for small and medium enterprises. Pasha Bank serves key sectors of the non-oil sector of the economy - agribusiness, transport, construction, trade and other areas that contribute to the diversity of the Azerbaijani economy. Below the logotype of bank is shown:

**Figure 10 : Logotype of Pasha Bank**



**Source:** Website of Pasha Bank <https://www.pashabank.az>, (03.03.2020)

Pasha Bank is the largest private bank in Azerbaijan in terms of capital level and is also included in the list of TOP-3 private banks by assets. As of June 30, 2019, the bank's capital was more than 435 million AZN, and the level of its assets was more than 4,483 million AZN \*. Pasha Bank, one of the leading banks, is further strengthening its sustainable and sustainable development indicators.

Pasha Bank is headquartered in Baku and has a total of 6 business centers, 3 branches and 2 exchange offices in the capital and regions of the country. They have been represented in Georgia since 2013, and in Turkey since 2014. By creating a regional network through subsidiaries, Pasha Bank has created a number of new opportunities for international and regional cooperation. Thus, the Bank plans to create an active trade triangle "Baku-Tbilisi-Istanbul", which will unite business processes in the three countries of the region. (<https://www.pashabank.az/lang,en/>,2019)

### *Vision:*

Pasha Bank's vision is to be a top Azerbaijani bank dedicated to the greatest standards of integrity, indisputable small business reputation and financial strength,

with commitment to high quality of solutions, encouraging expansion of customers and pioneering digital stations growth.

*Pasha Bank's mission is to serve our stakeholders by:*

- Leading to the growth of our customers by providing high quality goods and Solutions tailored to our customers' requirements.
- Applying, training and nurturing the qualified and dedicated personnel.
- Committing to the welfare and cultural evolution of society.
- Maintaining strong financial standing.
- Committing to clear and sensible conduct of business.

*Strategic Goals*

- Grow in core
- Improve customer experience
- Strengthen processes and capabilities
- Best place to work <https://www.pashabank.az/lang.en/>, (03.03.2019)

The gap between tactical and other banking risks (e.g. charge, money or legal dangers, the danger of losing company standing, etc.) is the chance that the Bank could sustain fiscal losses due to managerial imperfections or erroneous conclusion of strategic targets and objectives.

Pasha Bank has arranged the direction of strategic risks to satisfy the following aims:

- To decrease the chance that the Bank can pick an incorrect, ineffective or insufficiently balanced approach (both total growth plan and individual strategic conclusions ) which can lead to the reduction of the Bank's business standing, influence its rankings available on the marketplace and, thus, to monetary losses;
- To reduce potential losses, maintain and preserve the Bank's business standing before clients and builders, founders, participants at the monetary marketplace, bodies of state authority and local authorities, banking institutions where the Bank is a part.
- To enhance the effectiveness of operations being performed by means of streamlining the standard of their direction.

-To guarantee compliance with all the valid interests of consumers, shareholders and depositors that have entered monetary connections with the Bank.

*The main aims behind the formation of a system on the management of strategic risks are shown below:*

-To create a solid and effective corporate governance design fulfilling the aims and scope of the Bank.

-To create the standing of a bona fide lender through ensuring the Bank honors its responsibilities, follows the needs of regulatory bodies, observes the standards of business integrity, professional principles and criteria.

-To rule out conflict of interest in any way phases of the Bank's actions.

*The Bank applies the following key approaches: While developing strategic management due to avoiding strategic risks.*

-lasting control over compliance with all legislation of the Azerbaijan Republic, such as regulations on bank keys and business of in-house management with the purpose of devoting the legalization (laundering) of incomes acquired in criminal ways, and funding terrorism.

-timely processing of contractor and customer requests, payment of figures deposits, interest accounts (deposits) and processing of different trades.

-tracking the effectiveness of their quality guarantee.

-management over the validity of accounting reports and other printed information submitted to creators (spouses), clients and contractors, surveillance and regulatory and other interested persons, including the data necessary for promotion purposes.

-growth of a frequent system of data support and record stream, which prevents the usage of the Bank data by persons obtaining such information for private pursuits and ensures timely, complete and reliable supply of information regarding individuals needing such information for decision.

*The common principles of the system on the management of strategic risks are as follows:*

- to set a process of identifying, assessing and determining a suitable degree of tactical risks, and also to track tactical dangers.

- to - consider steps to keep strategic risks at a decent level, such as management and (or) minimization of dangers.

- to set a process of submitting data regarding the management of strategic risks to the Supervisory Board, executive bodies, subdivisions and personnel of their lending firm.

- to allocate powers and obligations among the Supervisory Board, executive bodies, subdivisions and personnel concerning the execution of the chief principles of strategic risk management.

- to exercise control over the efficacy of tactical risk management.

*The system of the direction of strategic risks includes three important directions:*

- a method of steps to stop the development of risk variables (preventative measures).

- a method of steps to identify, assess and assess risk factors (present steps).

- a method of steps to optimization, for example, elimination of risk variables found (following measures).

To be able to set a process of identifying, assessing and determining a suitable degree of tactical risks, the Bank has developed a methodology to identify and assess strategic dangers. Differences involving subdivisions with the intent of identifying and assessing strategic risks is carried out within the frame of the roles defined in the "Policy on the management of strategic risks", in addition to their duties, job descriptions as well as the function in the management of the Bank's actions. The Bank arranges a method of preventative steps to stop third-person activities towards engaging Bank workers in unlawful action

To be able to perform successful analysis and make conclusions on minimization of tactical risks, the Bank, in accord with the spheres of its action, develops and maintains that an analytical database on losses sustained because of

tactical risks. The database reflects data on the percentage of losses, their causes and methods of compensation, and data about increased risk variables.

The Bank tracks all info in the public domain regarding the Bank and its supervisors to estimate its effects on its business standing. The Bank also makes a legal appraisal of these information <https://www.pashabank.az/lang/en/>, (03.03.2019).

#### *Access Bank*

Access Bank Azerbaijan is the leading Supplier of microfinance in the country, enjoys a Significant position In SME lending, and appreciates the confidence of the populace at large as witnessed by a broad and expanding foundation of retail depositors. Following the devaluation and the subsequent recession in Azerbaijan, the bank completed a recapitalization and significant changes to the management group in 2019 and is currently set for renewed growth. Improving operating efficiency is a key priority for 2020 and beyond. Increasing company volumes significantly while keeping a constant staff base will allow for an improving cost-income ratio, while delivering solutions to customers in a more efficient and attractive manner. A second priority would be to strengthen the operation of risk management. A dedicated CRO in the Management Board will ensure the liberty of the risk function and recently developed policies, processes and tools for analysis and reporting will ensure that the bank complies with federal requirements and international finest practice. The third priority for the period of the plan is that the growth of industry volumes. Following the financial crisis company volumes decreased sharply as the focus was diverted towards consolidation and recovery of bad loans and new disbursements were curtailed. The results of succeeding on these three priorities are to guarantee a stable institution generating long term sustainable financial outcomes to the benefit of clients and investors (<https://www.accessbank.az/en/>, 20.03.2020). Below the logotype of bank is shown:

**Figure 11: Logotype of Access Bank**



**Source:** Website of Access Bank <https://www.accessbank.az/>, (20.03.2020).

*The Vision of Access Bank-* supporting small business development and Azerbaijan to be one of the leading banks in the country, providing access to financial resources for the population.

*The mission of Access Bank-* to contribute to the sustainable development of Azerbaijan by offering financial services and solutions to households, micro, small and medium enterprises, as well as using internationally accepted best practices in the field of banking. We are committed to bringing value to our customers, shareholders, employees and society as a whole. Our mission is based on our values of transparency and openness, professionalism, customer loyalty, teamwork, and responsibility to society and the environment. The Bank intends to provide simple and direct banking services in a fair and transparent manner. Based on in-depth knowledge of entrepreneurship in Azerbaijan, the bank is able to provide products tailored to the needs of business customers, with special attention to the timing of services. Careful analysis of the financial condition of borrowers allows the bank to control credit risk. (<https://www.accessbank.az/en/>, 20.03.2020)

*The strategic goals*

*Maintain its market position as a leading financial service provider for micro and small business clients.*

-Continue to increase customer satisfaction by optimizing processes, expanding digitalization, and further adapting services to customer requirements.

-Maintain the Bank's strong risk management, high underwriting standards, full compliance with requirements and internal control mechanisms.

- Invest in employee development to ensure a high level of professionalism and customer satisfaction, thereby further enhancing work efficiency.

- To provide investors with sustainable development and financial profitability.

#### *Delivery channels*

The bank has an extensive service network of 28 branches. In comparison, the bank has a network covering the regions, which has helped build the bank's strong base in micro crediting. All branches are equipped with ATM and Cash payment terminals. In some branches, it is organized as a 24/7 self-service zone. In addition, the bank has 10 ATMs outside its branches in Baku. The bank is actively moving towards digital and self-service solutions and offers its customers mobile banking, including internet banking services. Access Bank's strategic vision is to continue this trend in the direction of self-service. The goal is to gradually turn branches into outlets, not operating points. The goals for 2020 are as follows:

- Renovation of 5 branch buildings and provision of 24/7 self-service zone.

- Update mobile banking with an enhanced technical platform and user-friendly interface.

- Addition of new services in Internet banking, including downloading documents for business customers.

- Expanding the use of debit cards for business customers.

- Provision of credit cards as an effective delivery mechanism for low-value consumer loans.

- Presentation of Cash ATMs.

- Use of NFC technology by updating POS terminals

#### *Human resources:*

Access Bank is a bank with international shareholders operating in accordance with European principles in human resource management. The bank has experienced employees who are proud of their strong corporate culture and their jobs.

The bank's goals in this area are as follows:

- Attracting the most talented employees with a reputable employer brand.

- Development of existing staff by empowering the training area.

-Perfect implementation of Human Resources processes through improved communication with employees.

-Forming a corporate culture based on clear KPIs (key performance indicators), rewards and results.

-Involvement of employees with common values.

### *IT*

The bank's IT infrastructure needs to be significantly upgraded to support its business goals. This, in turn, sets the following main goals for IT:

-Ensuring uninterrupted and reliable operation of key business processes.

-Supporting the planned increase in efficiency through the expansion of automation and self-service.

-Supporting the Bank's planned business expansion

-The main projects during the strategy period include:

-Large-scale replacement of servers, workstations and communication facilities.

-Increasing the reliability of the main communication channels.

-Development and implementation of CRM / BPM solutions to cover key credit flows (<https://www.accessbank.az/en/>, 20.03.2020).

### *Xalq Bank*

#### *Strategic goals of the Bank:*

-To maintain its leading position among Azerbaijani banks.

-Continue to be a bank with a sustainable corporate governance system.

-To remain a bank offering a wide range of services to small, medium and large businesses through the branch network.

-To be a bank that effectively manages all business processes and, as a result, makes a profit thanks to professional management.

-To have sustainable competitiveness in the financial market.

-Expand cooperation with foreign financial institutions.

(<https://www.xalqbank.az/az/bank/>, 02.04.2020)

*Xalq Bank plans to do the following to achieve its strategic goals:*



-Maintain and further expand the image of a bank providing high quality services.

-To provide maximum customer requirements when providing banking services.

-Use innovative technologies to ensure the financial efficiency of all operations.

-To provide business information and other advice to the Bank's customers.

-Regularly inform customers about the Bank's activities.

-Below the logotype of bank is shown.

**Figure 12: Logotype of Xalq Bank**



**Source:** Website of Xalq Bank <https://www.xalqbank.az/>, (02.04.2020)

*Methods of implementing the Bank's Development Strategy:*

-To continue the positive image advertising campaign

-Attracting long-term cheap resources and placing them in high-yield projects for the Bank

-Expansion and effective development of the branch network

-Establishment of a network of ATMs and points of sale, including alternative channels

-Cost optimization (<https://www.xalqbank.az/az/bank/>, 02.04.2020).

Xalq bank doing well with using the value of tactical direction; more notably within the bank of corporate, business and operational strategies and turning them to profits. These tips which are increasingly being made will likely soon be help unify its market leadership from the banking business also to boost the services given

for its business also to help form the businesses. A calm economic environment helps companies achieve their tactical direction objectives.

Bank need to guarantee that keeping employees at the low rates and in addition keeping up a healthful employee' boss relationship and motives eventually become a plan in contrast to the end result. The capacity to conserve employees at a specific time gets to be a competitive advantage to a company. Xalq bank managers ought to have the ability to draw a very clear differentiation between non top and performing employees to ensure corrective measures might be set in place. If a workplace gets comfortable into an employee cover becomes the 2nd plan. Workers are encouraged to work longer and will also exceed expectations. In addition, I urge that workers at the reduced degree also needs to be consulted if a plan goes to be devised. That is only because nobody is definitely an island by itself. Group brainstorming provides out more advanced thoughts that may assist the bank in the brief run and the future.

The financial institution needs to also embrace a retrenchment plan. Slimming down the number of workers and additionally shedding low catchment locations. They need to also reevaluate their investments. Even although sector is saturated and turbulent Xalq bank should not minimize their growth plans, plus so they ought to really be focused and emerge using exceptional banking services and products since customers desire something more than product. Xalq bank has to devote a huge portion of their optional budget on construction processes and systems to satisfy the requirements of the potential and actual clients.

## **CONCLUSION AND RECOMMENDATIONS**

While businesses are operating in both the service sector, industry and other branches, they create innovative moves and strategies in their products and services that will create new needs for consumers. The enterprise and organization, which can make revolutionary plans within the strategic management and consider the future fiction in this direction, as well as make the differences and innovations within the product, service will be enable to stand out ahead of their competitors and spread their business globally. These strategic management thoughts and moves should be turned into a roadmap that almost needs to be prepared for each business and organization that aims to be a big company.

In order for companies to continue their activities in a stable and growing direction in a changing and rapidly evolving market economy, special attention must first be paid to strategic management, which determines the future of all areas of the company's activities and ensures the longevity of the company. A company without a strategic management system is like a ship without a port on the high seas. It should be noted that many local and foreign companies have been able to survive the crisis thanks to strategic management decisions, including marketing, human resources finance and other department which associated with this statement. Research in domestic companies reveals areas that are lacking and can be addressed in terms of strategic management has been identified. First of all, I must say that the modern strategic management system requires more flexible, accurate and far-sighted decisions. For the development of strategic management in Azerbaijani companies, the country must provide regular care. The strategic roadmap implemented for this purpose is very important for companies to shape their future strategic management activities. Despite the program's shortcomings (including low levels of internal interaction, lack of foreign investment), the country's long-term strategic development program has led to a revival and rapid development of strategic governance, especially in the private sector. At the same time, companies can increase their profitability and competitiveness by using leader and pioneer organization technologies, which are now widespread in the world.

At present, the following proposals can be implemented by the country's companies for the development of strategic management.

- Establishment of free trade zones

- Introduction of a free competitive environment for the strategic development of companies

- Introduction of a simplified tax system that can help long-term operations of newly established companies

- Improving the flexibility and efficiency of government agencies. Examples include structures such as Easy Service, E-gov, e-social.

- At the same time, attracting foreign investment on the part of the state can make a positive contribution to the strategic management of local companies

- The application of the Adaptive Strategic Management Program used in the world practice in the companies of the country can give positive results. Thus, the Adaptive Strategic Management Program, used by large oil companies such as BP, was created for the first time to help companies achieve their strategic goals and objectives in the event of change and uncertainty, and to continue their successful and competitive activities. will help you adapt to change.

- Companies must be inclined to modern technology. Thus, in a changing market economy, the main goal of companies is to achieve high profitability at low cost. Therefore, based on world experience, the goal is to ensure the transition to multifunctional equipment and technology.

- Companies should be inclined to foreign investment in order to ensure the sustainability of financial resources. This will help companies to overcome any situation that may arise during the economic crisis in the country.

- Companies will achieve rapid and timely development using strategic management models which mentioned on below topics.

Nowadays, more than ever, managers and decision-makers need technical mechanics and processes to make strategic decisions. In this context, scholars and experts of management, through presenting management techniques and tools, have

begun to aid organizational decision-makers. Strategic management applications and techniques have been various tools which in most phases of strategic planning help supervisors to comply with complicated environmental problems. The proper use of those tools requires sufficient knowledge of their strengths and weaknesses of each instrument as a way to incorporate and apply proper tools efficiently, appropriately and in the right time.

The significance of strategic management in running business associations cannot be over-accentuated. The job of the top managerial staff in the creating and execution of methodology is likewise a significant segment of corporate governance. Consequently, organizational boards and management teams need to give all their attention to strategic management it for ensuring superior performance in their respective industries.

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# APPENDIXES

## Appendix 1.

**Figure 6: Empirical research on the usage of SMTTs in enterprises**

Author/Authors Year	Country/Countries	Industry and size of enterprises	Sample size received/sent	Main findings: The most used SMTTs <sup>1</sup> in respective enterprises
Rigby (1993)	North and South America, Europe, Asia and Africa	DSE <sup>2</sup> , DS <sup>3</sup>	-	Mission statement, customer satisfaction, total quality management (TQM), competitor profiling, benchmarking
Clark (1997)	UK and New Zealand	DSE, DS	UK: N = 61/1200 NZ: N = 138/400	SWOT analysis, focused groups, budgeting, Porter's 5 forces analysis, PEST analysis
Glaister and Falshaw (1999)	UK	DSE, DS	N = 113/500	"What if" analysis, key success factors analysis, financial competitor analysis, SWOT analysis
Stonehouse and Pemberton (2002)	UK	DSE, PS <sup>4</sup> production, service	N = 159	Business financial analysis, SWOT analysis, key competencies, organizational culture, benchmarking
Frost (2003)	Western Australia Singapore, Hong Kong and Malaysia	SME	N = 331/783	SWOT analysis, PEST analysis and budgeting
Ghamdi (2005)	Saudi Arabia	N/I, N/I	N = 72	Key success factors analysis, benchmarking, "what if" analysis
Tapinos (2005)	42 countries, main of them: UK, Singapore, China, USA, Greece etc.	DSE, DS	N = 428/4000	SWOT analysis, benchmarking, cost-benefit analysis, key capability analysis and risk analysis
Dincer <i>et al.</i> (2006)	Turkey	LE <sup>5</sup> , production, service	N = 135/638	SWOT analysis, scenario analysis, financial competitor analysis
Gunn and Williams (2007)	UK	DSE, DS	N = 149/800	SWOT analysis, benchmarking, key success factors analysis
Elbanna (2007)	Egypt	DSE, DS	N = 120/350	Financial statements as cash flow, income and budgeting then cost-benefit analysis, SWOT analysis, competitor analysis, portfolio analysis, benchmarking, key success factors analysis
Vaitkevičius (2007)	Lithuania	DSE, DS	N = 216/436	SWOT analysis

Author/Authors Year	Country/Countries	Industry and size of enterprises	Sample size received/sent	Main findings: The most used SMTTs <sup>1</sup> in respective enterprises
Stenfors <i>et al.</i> (2007)	Finland	LE, DS	N = 182/500	SWOT analysis, Spreadsheets applications, balanced scorecard, risk analysis
Kume and Leskaj (2009)	Albania	DSE, DS	N = 230	SWOT analysis, mathematical and statistical methods, Porter's 5 forces analysis and value chain analysis
Aldehayyat and Anchor (2009)	Jordan	DSE, DS	N = 83/203	Business financial analysis, PEST analysis, Porter's 5 forces analysis, key success factors analysis
O'Brien (2009)	UK, Europe, USA, Australia, New Zealand, Africa, etc.	N/I, N/I	N = 143/883	Forecasting, business financial analysis, project management, brainstorming, SWOT analysis, balanced scorecard, benchmarking
Glaister <i>et al.</i> (2009)	UK and Turkey	DSE, DS	UK: N = 113/500 Turkey: N = 135/638	UK: "what if" analysis, key success factors analysis, financial competitor analysis, SWOT analysis Turkey: economic forecasting models, SWOT analysis and scenario analysis
Pasanen (2011)	Finland	SME, production, service	N = 143	Business strategies, vision and mission statements, strategic alliances, growth strategies, SWOT analysis
Aldehayyat <i>et al.</i> (2011)	Jordan	DSE, hotels	N = 40/60	Business financial analysis, SWOT analysis, PEST analysis, Porter's 5 forces analysis
Afonina and Chalupský (2013)	Czech Republic	DSE, DS	N = 74	SWOT analysis, customer satisfaction, price analysis, analysis of views and employee attitudes, cost-benefit analysis, analysis of employee satisfaction, analysis of customers complaints, Porter's 5 forces analysis, PEST analysis

<b>Gică and Balint (2012)</b>	Romania	SME, DS	N = 200	SWOT analysis, pessimistic and optimistic scenarios
<b>Šuklev and Debarliev (2012)</b>	Macedonia	DSE, DS	N = 212/350	-
<b>Kalkan and Bozkurt (2013)</b>	Turkey	SME, DS	N = 192	Strategic planning, human resources analysis, TQM, Customer Relationship Management (CRM) vision and mission statements, PEST analysis, benchmarking
<b>Tassabehji and Isherwood (2014)</b>	47 different countries: Europe, USA, Canada, India etc.	DSE, DS	N = 458	SWOT analysis, financial forecasting, vision and mission statements, scenario planning, value chain analysis
<b>Rajasekar and Al Raec (2014)</b>	Oman	DSE, DS	N = 20/63	Benchmarking, stakeholders analysis and SWOT analysis
<b>Nedelko <i>et al.</i> (2015)</b>	Slovenia and Croatia	DSE, DS	S: N = 155/750 C: N = 185/750	S: Outsourcing, benchmarking, key competencies, knowledge management, TQM etc. C: Vision and mission statements, benchmarking, key competencies, CRM, customer segmentation etc.
<b>Afonina (2015)</b>	Czech Republic	DSE, DS	N = 91	SWOT analysis, customer satisfaction, price analysis, cost-benefit analysis, market share analysis etc.
<b>Rigby and Bilodeau (2015)</b>	Over 70 countries (5 continents)	DSE, DS	N = 13,000	CRM, benchmarking, employee engagement surveys, strategic planning, outsourcing, balanced scorecard etc.

<sup>1</sup> Most used tools have derived from empirical results of different studies. The number of tools defined as the most commonly used, varies from study to study.

<sup>2</sup> Different size enterprises.

<sup>3</sup> Different sectors.

<sup>4</sup> Particular sector/s.

<sup>5</sup> Large enterprises.

**Source:** Adapted from Bain & Company (Rigby and Bilodeau, 2015)

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