INTEGRATION OF STRATEGIC MANAGEMENT AND PROCESS MODELING IN THE ACTIVITIES OF INTERNATIONAL COMPANIES

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ABSTRACT

The article defines the scientific and applied principles of an organic combination of strategic management and process approach in the management system of international companies. Methodical parameters of process management technology implementation were formed, stages of process technology deployment were determined. Stratification of business roles in strategic process management is carried out and model of interaction of strategic management and process toolkit in the business model of the company is built.

Keywords: Strategic Management, Process Approach, Key Performance Indicators, Business Process, Strategic Office.

JEL Classifications: M21

INTRODUCTION

Modern, complex and dynamic international market environment requires companies to constantly improve their production management systems and strategic management models. One of the main directions of creating an effective strategic company management system is to apply a process approach to the organization and management of the company. This research paper discusses the methodological approaches to the implementation of this tool and the positive aspects of its implementation.

LITERATURE REVIEW

Problems and objectives of applying strategic management models in the work of international companies are considered in the works of such scientists as Hatch & Schultz (2001); Johnson et al. (2006); Tricker & Tricker (2015). Within the current research on the process approach to managing the activity of the company a lot of scientific efforts are made in such works as Blatz et al. (2006); Myers et al. (2012); Urde (2013); Hull (2012). All this forms the systematic research in applied strategic management.

METHODOLOGY

The methodological basis of the scientific article is the system and structural approach in strategic management, the vector of which is the inevitability of the company development. The market activity of the company is determined by the expectations of several groups of entities, among which owners, consumers, suppliers of production resources, creditors, top management, staff, authorities are usually distinguished. The openness of a business system means that it is in continuous interaction with the external environment, which is manifested in the circulation of capital flows in its various forms and information flows, which provides the potential of industrial and economic development.

FINDINGS AND DISCUSSIONS

In today market conditions, the intellectual capital is the most important factor in the market capitalization of a company. One of the components of intellectual capital is the strategic management system. According to the universal property of hierarchy, any system contains components of varying degrees of aggregation (levels, sublevels, and individual elements) that can themselves be considered as a system. Experience shows that strategic and tactical management of companies often have the following disadvantages.

1. There is no de facto strategic management. There are two options for describing possible situations.

Option 1

The company did not develop any mission, vision, corporate values, strategy or goals that detail it. These things seem to the top management as an afterthought compared to solving current problems. The company staff is a group of people working in the same space and interacting only as needed in the course of their duties. Ideally, staff is a team that is united by common values and strives for common goals.

Option 2

The basic elements of strategic management are present in the company, but the developed strategy is not implemented, but transformed into a declaration and has no relation to the current management system, as well as to projects implemented by the company. It can be argued that the strategy will be detached from current activities unless work has been done on:

- Identifying cause and effect relationships between strategic goals related to different levels of the goal tree and different strategic perspectives;
- Digitizing strategic goals with key performance indicators (kpis);
- Determining personal responsibility for the achievement of each goal (Yin, 2009);
- Identifying business processes that are properly executed to approximate each of the strategic goals;
- Detailing strategic goals and kpis to the level of business process units;
- Determining the list and technical and economic parameters of the projects, the implementation of which is needed to improve business processes and achieve strategic goals;
- Company budgeting taking into account strategically important processes and projects;
- Bringing strategic guidance to all employees of the company.

2. There is no de facto process management. The following situations are typical of the management level of many international companies:

- Business processes are not identified; managers do not even have a theoretical understanding of the essence of the process approach to management;

- Implementation of the process approach "stalled" at the stage of modeling business processes *"as is"*– the initial stage of the project to implement process management in the company.

It is also necessary to carry out work on the analysis and optimization of processes, to carry out modeling of processes *"as it should be"* and their regulation. But top executives are frustrated: they spend a lot of money and time identifying business processes and there are no quick results (growth in profits, revenue level). Business process managers (typically middle managers) do not have sufficient authority to refine processes, as this requires:

– Changing the organizational structure to *"expand"* bottlenecks in process interfaces;
– Resourcing beyond the current budget;
– Strategic guidelines for improvement (Makedon et al., 2019).

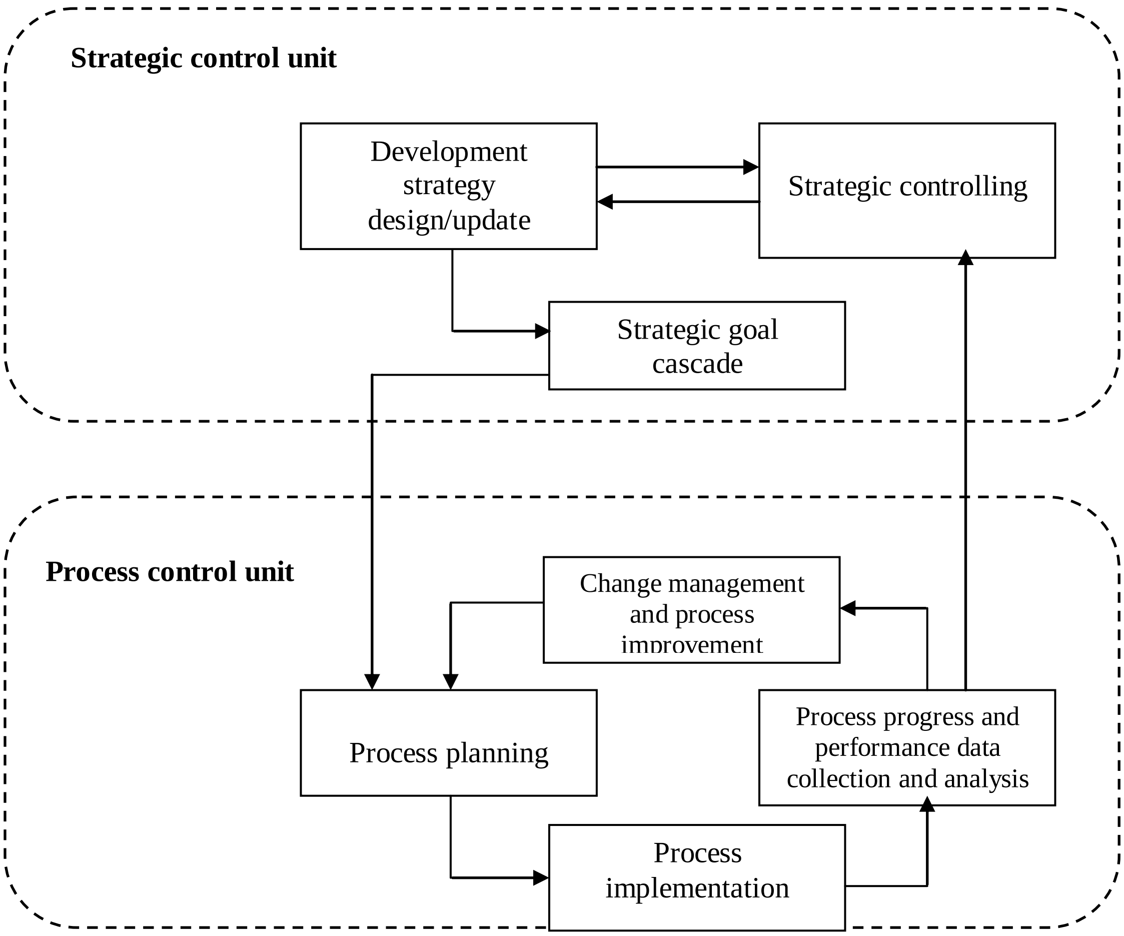

FIGURE 1
INTERACTION MODEL OF STRATEGIC MANAGEMENT AND PROCESS TOOLKIT IN THE BUSINESS MODEL OF A COMPANY

3. The transition from design to implementation: organizational aspects. Most large companies have a functional organizational structure. To build an integrated management system, a number of additions are required: develop role concepts of strategic and process management and organize competence centers: strategic and process offices (Figure 1). The objectives of the first and the lower levels of detailing are formed within several strategic perspectives, the number of which may vary, but usually

ranges from 4 to 6. The most traditional are: finance, customers, core business processes, staff (or growth and development).

4. Strategic office In order to coordinate the strategic management process and provide methodological support to the employees of the company, it is advisable to create a special structural unit – the so-called strategic office. The functional responsibilities of the strategic office include (Weber, 2015):

   – Collecting information from units on the achieved strategic KPI, on the interim results of strategic projects and programs;
   – Generating summary reports on the implementation of planned KPI, on the implementation of projects and programs;
   – Developing the regulation of updating the development strategy and ensuring its implementation;
   – Improving the methodology of strategic management, taking into account the specificity of a particular company;
   – Building a knowledge base and conducting internal training in order to increase staff competence in strategic management.

5. Role concept of process management. We identify three such roles: owner, manager and participant in a business process (Table 1).

Table 1
STRATIFICATION OF BUSINESS ROLES IN STRATEGIC PROCESS MANAGEMENT

Role in a business process	Authority
Owner	- Sets a process goals, KPIs and their target values; - Approves process distance reaching projects as well as business process reengineering projects; - Approves the process budget, the allocation of the necessary staff, material resources; - Coordinates and approves long-term process implementation plans - Controls the achievement of process indicators over a long period of time - Provides communication with other processes; - Provides prompt action on managed and provisioning processes as needed.
Manager	- Details the goals of the process for each participant; - Provides necessary communication of participants; - Plans the allocation of resources by process participants and by time; - Distributes responsibility and authority among participants in the process; - Develops process execution rules; - Identifies process risks, develops ways to mitigate risks; - Reports to the owner about the results of the process
Participant	- Performs operations within the process; - Generates a progress and outcome report

6. Process office. The purpose of creating a single competence center is to increase the manageability and efficiency of business processes to achieve the strategic goals of the company. The functional responsibilities of process office professionals include:

   – Diagnostics of the current business process management system (assessment of the level of process maturity, identification of bottlenecks) and development of proposals for its improvement (Drobyazko et al. 2019a & b);
   – Development of a methodology for describing business processes (modeling agreements) and methodology for process control (forms, procedures, responsible persons and terms of presenting information on the progress and effectiveness of business processes) (Matsusaka, 2001);

- Formation of templates of regulatory documentation in the field of process management, control of correctness of the generated documents;
- Collection of information from business process executives and creating a consolidated business process report for the CEO (board);

Organization of strategic and process offices will allow to integrate strategy, budgeting and operational management into a single management system.

RECOMMENDATIONS

Recommendations come down to the notion that continuous process improvement is a necessary business strategy in a competitive market because: the acquired value of the company production assets is the result of business processes. The significance of the processes is not the same when creating. Therefore, dramatic improvements in business processes lead to significant results in the strategic growth of the company, even small improvements to important processes can give a significant increase in business results.

CONCLUSION

Thus, using the methodology of integrated interaction in strategic management based on the process approach to managing the company, the following opportunities for business development and expansion appear: a model of control system optimization is formed, which is able to respond flexibly to changes in the environment; a system of criteria for assessing the effectiveness of management at each stage of the production/management chain is formed; investor certainty that the existing company management system will be aimed at continuous improvement of productivity and the maximum level of consideration of interests of owners is provided.

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