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“Journal of Economics and Social Sciences”



Strategy as the key factor for the company's development (example of “KAMAZ”) Tomsk Polytechnic University

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Abstract

Nowadays the strategy is one of key success factor for company. There are some basic strategies that help companies develop and be stable in the market, move in the right direction. The article enumerates these strategies, analyses main advantages and disadvantages of each strategy. The article gives an example how KAMAZ operates with one of these strategies and what are the results. The article also describes the most important characteristics of business strategies, particularly as part of KAMAZ's activity. In article announce that KAMAZ is very strong company in Russia with proven system of approaches and tools for new strategy adaptation.

Keywords: reference development strategy, concentrated growth strategy, integrated growth strategy differentiated growth strategy, reduction strategy;

1. Introduction

Company's strategy is one of the key factors for its development. An important condition for the success and prosperity of business in long - term perspective is a clear understanding of company's problems and goals. This idea is reflected in the organization's strategy. Reference development strategies play a key role among the strategic directions that company realizes in its core activities. These strategies have leading positions in business environment. They help any company assess its position, understand the development course, and propose a set of actions that will allow an organization to achieve goals as effectively as possible. Reference development strategies consider in full detail such economic categories as specificity of the industry, product, market characteristics, competition inside the industry, technological development, from the perspective of a particular company. Therefore, these strategies are changed according to the state of one or more of the categories mentioned above.

2. Author Artwork

Depending on the expansion or reduction of business sphere, reference development strategies are divided into 4 groups:

1. concentrated growth strategy
2. integrated growth strategy
3. differentiated growth strategy
4. reduction strategy[4].

Before using a particular strategy it is necessary to identify the advantages and disadvantages of the planning system in the company. You should also determine which of the strategies the company is using at the moment.

If we take KAMAZ, a Russian car manufacturing company, as an example, I think at the moment it is using an integrated growth strategy, i.e. a strategy of vertical integration, which aims at the increase of business by tightening control over the contractors, and the formation of the subsidiaries, which will become the suppliers of the main production in the future.

Choosing this strategy, the enterprise becomes less influenced by the fluctuation of prices in raw materials market, and at the same time, becomes less dependent on the suppliers. KAMAZ has many subsidiaries, and most of them are combined into a single production complex. Now, when the quality of raw materials and supplies are at the highest level; the network of contacts in the domestic market has been established; it is necessary to develop new markets, and with the existing industrial complex and business portfolio – this is an easy task for KAMAZ. To realize this intention it is better to use the strategy of concentrated growth or the “strategy of market development” [1]. This strategy consists in search of new opportunities for selling existing products. There are two ways here: to develop geographically new markets – in other cities and countries, or to apply the existing product in a new way. Choosing a strategy for development of markets, the organization may choose whether to intensify marketing and to work for the highest position in existing markets with existing competitive products. Company`s ambitions can reach the so-called “horizontal integration” [2], in which the company is trying to establish control over its competitors. For KAMAZ it is a good perspective to develop under the present circumstances: economic and political situation, the instability of international relationships and sanctions. The competitors of KAMAZ in the market of heavy transporting technique are mainly represented by foreign brands. But they have weakened their influence due to disagreements between Russia and the world community. In the domestic market KAMAZ has no competitors, and with the government support and participation in projects it will head to the realization of this initiative and achieving this goal. The second way is to find new markets for the existing manufactured product. However, this choice will require big investments in the marketing, because market may not respond to the marketing tools that were successful before.

Strategy of concentration has its advantages:

1. it is based on the real capabilities of a company;
2. strategy is able to use these opportunities to establish competitive advantages;
3. sensitivity of the company to market changes increases - it works at a hair-trigger reaction;
4. strategy is of the low risk;
5. top-management can easily assess the results of the implementation of the strategy: sales growth, increase of the market share and increase of brand loyalty [3].

As any phenomenon, this strategy has some disadvantages:

1. it is more progressive than revolutionary strategy;
2. it is extremely subjected to market`s changes;
3. it depends on consumers entirely;
4. it requires special knowledge for action in foreign markets;
5. it can violate the conditions of a perfect competition;
6. it also imposes responsibility for keeping the level of innovation in products;

7. it takes a lot of financial resources, depriving the enterprise capabilities of alternative investments.

3. Conclusion

Concentrated growth strategy is suitable for the company in unstable market conditions. In the instability of current economic situation, KAMAZ has estimated its potential and gained a foothold in the market.

Among the existing strategic alternatives of growth it is preferable to choose 'limited growth' strategy which involves setting goals from the reached level. This strategy is used in mature industries and is suitable for machine-building engineering. So, it is suitable for KAMAZ which is a strong, mature, experienced enterprise, with stable sales and revenue.

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