

**CDSSES 2020****IV International Scientific Conference "Competitiveness and the development of socio-economic systems" dedicated to the memory of Alexander Tatarkin****STRATEGY TYPES OF BIGGEST RUSSIAN COMPANIES AS THEY DECLARE IT**

Ekaterina Nikolaeva (a), Dmitri Pletnev (b)\*, Elena Kozlova (c)

\*Corresponding author

(a) Chelyabinsk State University, 129, Bratiev Kashirinykh St., Chelyabinsk, Russia, nikolaeva@csu.ru

(b) Chelyabinsk State University, 129, Bratiev Kashirinykh St., Chelyabinsk, Russia, pletnev@csu.ru

(c) Chelyabinsk State University, 129, Bratiev Kashirinykh St., Chelyabinsk, Russia, kozlova@csu.ru

**Abstract**

Contrary to popular belief about the spontaneous nature of market forces and companies' behavior as a reaction to them, most business entities are characterized by using a strategy as a plan and as perspective, written in the relevant official documents. These documents provide an important basis for the formation and implementation of real strategies. The article presents the analysis of the strategies of the largest Russian corporations available in the public space and assessing these strategies' effectiveness. The work used data from the RA Expert-600 rating for 2019 and information from the official websites of the largest Russian companies. For the typology of strategies, the approach of Mintzberg was used. As a result, it was revealed that one hundred most companies have a process-type strategy, and planned and ideological strategy types are also widely represented. It was found that longer-term strategies characterize more successful companies. There is no industry specificity in the types of strategies used by the largest companies.

2357-1330 © 2020 Published by European Publisher.

*Keywords:* Enterprise, Russian economy, strategy

## 1. Introduction

An economy based on active competition in a variety of forms forces firms to think and act strategically. It is about competition in the resource markets and the commodity markets, both within the industry, and the "battle for the consumer's dollar" between companies from different spheres. Large companies have a whole range of strategies: for shareholders, for other stakeholders, for their employees, and top management. There is a strategy voiced for competitors, for consumers, for regulatory authorities. In all the variety of existing strategies, it is essential to highlight and identify the fundamental line of behavior that determines the firm's actions in addressing critical issues. The first step in solving this problem will be to identify the official strategies declared in the public space.

## 2. Problem Statement

Until the last quarter of the 20th century, the term strategy was practically not used in the scientific, economic literature, although, of course, the strategies of firms themselves existed and became a factor of business success. Traditionally, business strategy is a multivalued concept that integrates five meanings: plan, ploy, pattern, position, and perspective (Mintzberg, 1987). This vision of the strategy is called 5p and is widely represented in modern business literature (Bellamy et al., 2019; Srivastava & Sushil, 2017). Besides, earlier work (Mintzberg, 1973) described three types of strategy: planning, adaptive and entrepreneurial modes, which differ in the dominant approach to its formation in the organization. However, the most detailed analysis of possible strategies (primarily in the form of a behavioral pattern) is given in (Mintzberg & Waters, 1985), which describes a continuum of strategies from planned to imposed (table 1).

**Table 1.** Strategy types description (authors interpretation of Mintzberg & Waters, 1985)

Strategy type	Strategy origin	Grade of deliberation/emergence of strategy	Strategy rod	Flexibility based on
Planned	Formal plans from the central leadership	Most deliberate	Common formal plans	-
Entrepreneurial	The central vision of a single leader	Relatively deliberate but can emerge	Entrepreneur's vision	Emerging new opportunities
Ideological	Shared beliefs	Rather deliberate	The collective vision of all actors	Misunderstandings of a collective vision
Umbrella	Partial control of actions by leaders	Partly deliberate, partly emergent and deliberately emergent	Strategic boundaries defined by leaders	Initiatives of actors
Process	Process	Partly deliberate, partly emergent, and deliberately emergent	Key processes in the organization	Freedom of actors to fill the process content

Unconnected	Enclaves in organization	Organizationally emergent	Patterns shared by most actors	Important actors out-of-control
Consensus	Consensus	Rather emergent	Mutual adjustment of common patterns without common intentions	Freedom of personal or group actions that follow the consensus
Imposed	Environment	Most emergent	-	Uncertainty of environment

They identifies two essential components of any strategy: deliberate and emergent. The first is a consequence of the image of future activity existing in the organization. It is derived from the intended strategy. The second is the result of unforeseen circumstances on the company's strategy - a kind of adjustment, flexible adjustment to circumstances. They could be distinguished by the presence (absence) of a solid core in the strategy and its flexibility degree. Simultaneously, real strategies differ based on the core and the strategy's flexibility. Table 1 shows the main types of strategy.

The institutional aspects of national strategies and growth trajectories of companies are considered (Zysman, 1994). The peculiarities of the strategies of national companies in the UK, depending on the board of directors' structure, are considered in (Stiles, 2001). A new approach to the formation of national strategies of Swedish, Danish and French companies is considered (Normann & Ramirez, 1993). An approach to assessing a zero-waste production strategy in China is presented in (Ghisellini et al., 2018). Hernaus et al. (2016) examined the features of Croatian and Slovenian firms' strategies in the context of their application of various models of business process management. The influence of staff motivation on the implementation of companies' behavior strategy from Ghana is presented in (Kuranchie-Mensah & Amponsah-Tawiah, 2016). The national characteristics of Indonesian firms' strategies in healthcare are analyzed by (Nurrochmat et al., 2017).

Several works are devoted to applying strategies in organizations, typology, measurement, and individual cases (Amoo et al., 2019; Gurkov, 2009; Gurkov, 2016; Pletnev & Barkhatov, 2016). Also in (Gurkov, 2009), three strategic dilemmas are identified that are relevant for modern corporations (table 2).

**Table 2.** Strategic dilemmas for organizations (Gurkov view)

Strategic Dilemma	Question	Options
Strategic thinking	How strategic decisions develop and made?	Rational or intuitive
Strategy formalization way	How strategic decisions execute?	Deliberate or emergent
Strategy realization way	Who strategic decision made?	Controlled or evolutionary uncontrolled process

In the second decade of the 21st century, special attention is paid to the existence and characteristics of the development and application of organizational strategies in the context of rapid and disruptive technological changes. Several works studied development strategies in Industry 4.0 (Ghobakhloo, 2018; Xu et al., 2018) and other emerging spheres (Barchiesi & Colladon, 2019; De Pelsmacker et al., 2018; Vargo & Lusch, 2017). The transformation and adaptation of strategies to sustainable development principles are also studied in detail (Baumgartner & Rauter, 2017; Sharma et al., 2017). Scientific research in these areas of knowledge is mostly descriptive and does not contain theoretically significant generalizations.

### **3. Research Questions**

The study answered the question of systematizing large Russian companies' strategies in the second decade of the 21st century.

### **4. Purpose of the Study**

The study aims to identify and systematize the largest Russian companies' strategies in the second decade of the 21st century.

### **5. Research Methods**

The study used the following algorithm:

1. Selection of the largest companies for analysis (top-22) by revenue for 2019 from the main RA Expert rating
2. Generalization of data on formulated and implemented strategies, including timing and benchmarks
3. Evaluation of companies' performance during the period of the strategy based on the data of their annual reports and information on the listing of shares on stock exchanges.
4. Generalization of company strategies based on the types identified by Mintzberg
5. Conclusion about the influence of the type of strategies on the results of the company

The study is based on data from the RA Expert rating agency and reporting data from large Russian companies' official websites.

### **6. Findings**

The largest Russian companies operate in various markets: in addition to the traditional leaders (oil and gas and metallurgical industries (6 companies each), the rating of the best includes retailers (3), banks (2), transport (3) and energy (2) companies. Most of the companies are transformed Soviet associations of enterprises, trusts, or entire ministries (like Russian Railways or Gazprom), or they were created in the 1990s, that is, they have a reasonably long history of their work.

Most companies have officially approved and publicly announced strategies for different periods (from one year, which is strange) to ten years. Most of the company has developed strategies for 3-5

years. It should also be noted that several companies do not mention such documents as a development strategy at all. For a significant part of the companies under study, a separate document and a guide to action are sustainable development strategies, which means environmental protection and personnel development. The strategic goals themselves are both too fuzzy - "to become a leader", "to acquire a new quality" or "quantitative growth", and they detail the future of the company down to specific indicators and their forecast values (passenger traffic, EBITDA, TSR, capitalization or safety indicators) ... Brief results of the analysis performed by companies are presented in Table 3. The table also shows changes in two key indicators - revenue and capitalization that occurred in 2010-19.

**Table 3.** Biggest Russian companies and their Strategies

Company	Development strategy	The strategic goal	Growth 2010-2019, times (in RUB)	
			By gross revenue	By market value
Rosneft	Rosneft-2022	A new quality of company thru synergy and competitiveness growth	5.5	2.0
Gazprom	Not specified	Keeping a leading position in the world thru diversification of consumers	2.3	1.3
Sberbank	Sberbank-2020	Realization of initiatives that lead to global competitiveness	4.0	2.5
Lukoil	Program of strategic development 2018-2027	"Sustainable organic growth."	2.5	2.7
Russian Railways	Development strategy to 2030	Twelve different goals	1.9	-
Surgutneftegaz	Not declared	Fuzzy	3.0	1.7
X5	Strategy for every three years	Be first-choice company for customers, best workplace for employees	5.0	1.6
VTB	Strategy 2019-22	Empowerment of client-oriented model	3.3	0.8
Magnit	Strategy for 2020	To be a favorable shop for every family	6.0	0.9
Rosseti	Strategy 2030	Efficiency, reliability, balance of interests	1.9	1.7
Transneft	Strategy of Transneft	Development of main gas pipelines in Russia	2.7	2.0
Inter RAO	Development strategy for 2020	To be a key actor on the world energy market	0.85	1.1

Tatneft	Development strategy for 2020	Market value increasing to 36 bln USD	3.3	5.5
Novatek	Development strategy 2018-2030	To be a global gas company thru the resource base increasing	7.5	5.5
Evraz	n.a.	To be the global mining and metallurgical company	2.0	n.d.
NLMK	Strategy 2019-22	To be a world-class efficiency leader.	3.0	1.5
Norilsky Nikel	Strategy 2019-25	Growth based on first-class assets, value creation, responsibility for capital, and social responsibility	1.9	3.1
GK Megapolis	n.a.	n.a.	2.0	n.d.
Rusal	Strategy 2016-2021	Based on the shared vision, respect, and responsibility	1.9	n.d.
Aeroflot	Strategy 2028	To be the leading world air-company	4.3	1.7
Sibur-holding	n.a.	Fuzzy	2.3	n.d.
Severstal	Development strategy for 2023	To be a leader by Total Shareholders Return.	2.7	2.6

Analysis of the strategic goals voiced by companies from Table 3 allows them to be systematized as follows (in descending order of frequency of mention):

1. Become (or strengthen your position) an industry leader
2. Achieve the growth of key performance indicators (revenue, capitalization, resource base)
3. Improving the efficiency of activities

Separately, mention should be made of the strategic goals directed inwardly to the company (Rosneft, Sberbank, VTB) or customers (Magnit, X5). This is partly determined by the specifics of the companies' business. However, these companies showed the fastest growth in revenue, which allows us to formulate a hypothesis about the positive impact of customer-oriented or process-oriented strategies on the company's revenue.

Also noteworthy is that companies with a vague formulation of strategies or do not have them at all, as a rule, did not achieve significant success in operating activities. Their revenue growth was within the inflation range or slightly ahead of it. Furthermore, those companies that used long-term horizons of strategic planning (8-10 years) are generally ahead of the rest in terms of the achieved growth rates.

Analysis of strategic development documents in the context of Mintzberg's strategy typology shows that most strategies are either planned or process-oriented. Some strategies can be classified as ideological or even imposed. These strategies are common in customer-focused companies. Even if they do exist, other types of strategies are veiled and not made public (table 4).

**Table 4.** Dominant strategy types for the biggest Russian Companies

Strategy type	No of Cases	Company names
Planned	5	Rosneft, Inter RAO, Tatneft, Aeroflot, Severstal
Process	10	Sberbank, Lukoil, Russian Railways, Surgutneftegaz, VTB, Rosseti, Transneft, Novatek, NLMK, Norilsky Nickel
Ideological	5	Gazprom, X5, Magnit, Evraz, Rusal
Not identified or imposed	2	GK Megapolis, Sibur Holding

The study failed to identify industry specificity in the types of strategies and the relationship between the types of strategies and the financial results of companies.

## 7. Conclusion

As a result of the study, the following main results were obtained:

1. The overwhelming majority of the largest Russian companies have publicly available documents or sections of the company's official website describing the development strategy (19 out of 22).
2. Most of the largest Russian companies (10 out of 22) formulate a strategy that can be classified as a process-oriented type according to Mintzberg's classification. Planned and ideological strategy types are also widely represented.
3. The type of strategy does not directly affect the analyzed performance indicators of the company (revenue growth and capitalization growth)
4. The companies with the best performance tend to develop strategies for a more extended period.
5. There is no industry specificity in the types of formulated development strategies.

## Acknowledgments

The reported study was funded by RFBR and VASS, project number 20-510-92006.

## References

- Amoo, N., Hiddlestone-Mumford, J., Ruzibuka, J., & Akwei, C. (2019). Conceptualizing and measuring strategy implementation: A multidimensional view. *Strategic Change*, 28(6), 445-467. <http://doi.org/10.1002/jsc.2298>
- Barchiesi, M. A., & Colladon, A. F. (2019). Big data and big values: When companies need to rethink themselves. *Journal of Business Research* (in press). <https://doi.org/10.1016/j.jbusres.2019.10.046>

- Baumgartner, R. J., & Rauter, R. (2017). Strategic perspectives of corporate sustainability management to develop a sustainable organization. *Journal of Cleaner Production*, 140, 81-92. <http://doi.org/10.1016/j.jclepro.2016.04.146>
- Bellamy, L. C., Amoo, N., Mervyn, K., & Hiddlestone-Mumford, J. (2019). The use of strategy tools and frameworks by SMEs in the strategy formation process. *International Journal of Organizational Analysis*, 27(2), 337-367. <http://doi.org/10.1108/IJOA-02-2018-1363>
- De Pelsmacker, P., van Tilburg, S., & Holthof, C. (2018). Digital marketing strategies, online reviews and hotel performance. *International Journal of Hospitality Management*, 72, 47-55. <http://dx.doi.org/10.1016/j.ijhm.2018.01.003>
- Ghisellini, P., Gengyuan Liu, X. J., & Ulgiati, S. (2018). Evaluating the transition towards cleaner production in the construction and demolition sector of China: A review. *Journal of Cleaner Production*, 195, 418-434. <http://doi.org/10.1016/j.jclepro.2018.05.084>
- Ghobakhloo, M. (2018). The future of manufacturing industry: a strategic roadmap toward Industry 4.0. *Journal of Manufacturing Technology Management*, 29(6), 910-936. <http://doi.org/10.1108/JMTM-02-2018-0057>
- Gurkov, I. (2009). Strategy process as formulation and realization of corporate goals: The synthesis of surveys in Russian firms. *Journal of East European Management Studies*, 14(1), 48-64. <https://doi.org/10.5771/0949-6181-2009-1-48>
- Gurkov, I. (2016). Oriflame CIS: The Successful Evolution of a Regional Subsidiary's Mandate. *Global Business and Organizational Excellence*, 35(4), 44-54. <https://doi.org/10.1002/joe.21683>
- Hernaus, T., Vuksic, V. B., & Štemberger, M. I. (2016). How to go from strategy to results? Institutionalising BPM governance within organisations. *Business Process Management Journal*, 22(1). <http://doi.org/10.1108/BPMJ-03-2015-0031>
- Kuranchie-Mensah, E. B., & Amponsah-Tawiah, K. (2016). Employee motivation and work performance: A comparative study of mining companies in Ghana. *Journal of Industrial Engineering and Man*, 9(2). <http://doi.org/10.3926/jiem.1530>
- Mintzberg, H. (1973). Strategy-Making in Three Modes. *California Management Review*, 16(2), 44-53. <http://doi.org/10.2307/41164491>
- Mintzberg, H. (1987). The Strategy Concept I: Five Ps for Strategy. *California Management Review*, 30, 11-24. <http://doi.org/10.2307/41165263>
- Mintzberg, H., & Waters, J. A. (1985). Of Strategies, Deliberate and Emergent. *Strategic Management Journal*, 6(3), 257-272. <http://doi.org/10.1002/smj.4250060306>
- Normann, R., & Ramirez, R. (1993). From value chain to value constellation: designing interactive strategy. *Harvard business review*, 71(4), 65-77.
- Nurrochmat, D. R., Nugroho, I. A., Hardjanto, Purwadianto, A., Maryudi, A., & Erbaugh, J. T. (2017). Shifting contestation into cooperation: Strategy to incorporate different interest of actors in medicinal plants in Meru Betiri National Park, Indonesia. *Forest Policy and Economics*, 83, 162-168. <http://doi.org/10.1016/j.forpol.2017.08.005>
- Pletnev, D. A., & Barkhatov, V. I. (2016). Business Success of Small and Medium Sized Enterprises in Russia and Social Responsibility of Managers. *Procedia - Social and Behavioral Sciences*, 221, 185-193.
- Sharma, V. K., Chandna, P., & Bhardwaj, A. (2017). Green supply chain management related performance indicators in agro industry: A review. *Journal of Cleaner Production*, 141, 1194-1208. <http://doi.org/10.1016/j.jclepro.2016.09.103>
- Srivastava, A. K., & Sushil, N. (2017). Alignment: the foundation of effective strategy execution. *International Journal of Productivity and Performance Management*, 66(8), 1043-1063. <http://doi.org/10.1108/IJPPM-11-2015-0172>
- Stiles, P. (2001). The Impact of the Board on Strategy: An Empirical Examination. *Journal of management studies*, 38(5), 627-650. <http://doi.org/10.1111/1467-6486.00252>
- Vargo, S. L., & Lusch, R. F. (2017). Service-dominant logic 2025. *International Journal of Research in Marketing*, 34(1), 46-67. <http://doi.org/10.1016/j.ijresmar.2016.11.001>
- Xu, L.D., Xu, E.L., & Li, L. (2018). Industry 4.0: State of the art and future trends. *International Journal of Production Research*, 56(8), 2941-2962. <http://doi.org/10.1080/00207543.2018.1444806>



<https://doi.org/10.15405/epsbs.2021.04.105>

Corresponding Author: Dmitri Pletnev

Selection and peer-review under responsibility of the Organizing Committee of the conference

eISSN: 2357-1330

Zysman, J. (1994). How Institutions Create Historically Rooted Trajectories of Growth. *Industrial and Corporate Change*, 3(1), 243–283. <http://doi.org/10.1093/icc/3.1.243>