

РОЗДІЛ 2. ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

COMMUNICATION STRATEGY – ONE OF THE MAJOR BARRIERS FOR SUCCESSFUL STRATEGY EXECUTION IN THE ORGANIZATIONS OF EMERGING COUNTRIES

КОММУНИКАЦІЯ СТРАТЕГІЇ – ОДНО ИЗ ОСНОВНЫХ ПРЕПЯТСТВИЙ ДЛЯ УСПЕШНОЙ РЕАЛИЗАЦИИ СТРАТЕГІЇ В ОРГАНИЗАЦИЯХ РАЗВИВАЮЩИХСЯ СТРАН

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There are different methods of strategy formation, which has its advantages and disadvantages, though no matter which method will be used for it. The most important for the organization is to execute strategy. According to the experience of various organizations, those who pay an attention to their strategy communication with employees, they manage to realize their vision better. This helps to make it easy to implement it and not only management team is trying to realize it.
Key words: organizational strategy, communication strategy, execution of strategy.

Есть разные методы формирования стратегии. Каждый подход имеет свои

преимущества, и недостатки, хотя независимо от того, какой метод будет использоваться, наиболее важным для организации является выполнение стратегии. По опыту различных организаций, те кто обращают внимание на коммуникацию стратегии со своими сотрудниками, удаётся реализовать свое видение лучше. Это помогает более легко реализовать стратегию компании, потому что не только менеджмент пытается реализовать его.

Ключевые слова: организационная стратегия, коммуникация стратегии, реализация стратегии.

Problem statement. Strategy is a theoretical model of organization development for which realization in practice appropriate mechanism creation and management is necessary. One of them is communicate the strategy with employees. Employees need to know that the company where they are working has a clear strategy and the management understands where they are going very well. This tells to employees to where their company is going, what priorities are and how their work matches with company's future plan. In addition it's critically important that employees' understand company's strategy. Those employees who understand company's strategy – work better. Everyday they make the decisions, which matches to company's long-term vision.

The real priority in the Company has those objectives and directions on which the employee are actively working and spend more resources – material, time and intellectual; And not those tasks that are only defined according the strategy.

There are two main challenges about communication of the strategy; the first challenge is to make sure that the employees are aware of the strategy. The second challenge – is to ensure that people understand the strategy. Therefore, managers should ensure that all key employees are aware of and understand the “what”, “why”, “how”, “when” and “who” of the strategy. Communicating the strategy is about ensuring that every employee in the organization knows and understands the direction in which the organization is supposed to move, in form of the business strategy.

Also, for Modern organizations it is important that initiatives are coming from lower-level employees. One possible solution is to communicate strategy with the employee. Today, in most parts of organizations the initiatives mainly come from the top to the down and not vice versa.

In such cases, the generation of ideas is taken up by the heads. As a result it is followed with a lot of negative consequences. The first is, that there is a lack of ideas, which does not give a chance for selection to choose the best among them. In addition, the ideas coming from the heads, as a rule, have no opponents and almost all of them are implemented, and consequently, most of them are unprofitable and inefficient. However no one is saying it openly, before the results are exposed.

Analysis of recent research and publications.

Strategy describes how the organization plans to create value for its stakeholders, customers and generally for citizens (Robert S. Kaplan, David P. Norton, 2004) – what is organization's main destination, why it was created, what are its goals and how it is going to satisfy customers' needs and to achieve its goals.

Strategic are those decisions which effect on organization's development in the long-term period and do not include ongoing operational actions. These are decisions which may stipulate completely different structure formation. Sometimes, on this kind of decisions may influence such external factors as: important changes on the market, government regulations and/or radical changes done by

competitors. Sometimes this is stipulated by internal factors – management team changing, organization's financial structure weakening, technological changes and etc.

American professor Peter Drucker (1974) has an interesting idea about strategic planning concept: "Strategic planning does not deal with future decisions. It deals with the futurity of present decisions."

There are different definition of strategy and strategic implementation. Part of researchers has been described strategic implementation as just the execution of a strategic plan (Aaker, 1988), while others have emphasized the control process and personnel delegation of organizational goals (Hrebiniak & Snow, 1984). Charles Noble's (1999) Emphasizes the role of "communication, interpretation, adopted, and enactment of strategic plans" in strategic implementation process. In the words of Hrebiniak (2005): "Execution demands ownership at all levels of management. From C-level managers on down, people must commit to and own the processes and actions central to effective execution. Ownership of execution and the change processes vital to execution are necessary for success. Change is impossible without commitment to the decisions and actions that define strategy execution (...) Execution will fail if no one has skin in the game".

Despite the various interpretations of what strategic implementation means, it is important to recognize the role of human, behavioral dynamics and communications in the execution of organizational objectives.

Unsolved aspects of the problem. Substantial researchers have covered that there is a gap between strategy formulation and strategy execution, moreover, that there is a gap between strategy formulation and strategic communication. According Zook & Allen, 2001 90% of all companies fail to realize their strategic ambitions; Kaplan & Norton (2005) Found that 95% of a company's employees are unaware of, or do not understand its strategy, Axson has established, that (1999) 73% of employees do not have access to the organization's strategic plans. Furthermore, only 42% of managers have access to the organization's strategic plans.

The question – how are people supposed to know what to do, if they don't even know about the strategy in the first place?

Objectives of the study. Identify and study problems of strategy execution, specifically, strategic communication issues in the modern organizations of emerging countries.

World practice shows that the strategy formulation and implementation approaches are constantly changing and increasingly becoming their perfection,

but in the emerging countries this will not have development or being introduced late.

The main material. In order to identify and study problems of strategy execution in the modern organizations of emerging countries, there was conducted a research on the example of Georgian companies. In this research there were participated 59 top-level managers of organizations operating in Georgia and more than 100 employees.

For identification of strategy formation and execution problems in modern Georgian organizations, survey questionnaires were sent directly to organization's top-level managers or those departments supervisors who have information about organization's management systems (for example: planning and control department supervisor).

For research there were selected those organizations (local and foreign private organizations) that exist on the market at least 3 years and they have at least 50 employees. Mentioned criteria was chosen to exclude problems caused because the organization is too young and to make sure that management had time to form management systems and establish it. Frequently in small organizations, where number of employees equals to 20, system errors are not as critical as in large organizations.

According to the data of the National Statistics Office of Georgia the 1042 organizations meet these criteria¹. The companies were selected randomly. In addition, in order to raise the level of representativeness of results, the companies were divided by the number of employees: from 50 to 100, 100 to 500 and companies with more than 500 employees. An equal number of organizations were selected from each group.

At the same time there was also done organizations' employee survey, and for this was prepared a separate questionnaire. Purpose of employees' research was to recheck the results of top-level managers' survey. More than 100 employees participated in the survey. The research was conducted in the same organizations where top-level managers were surveyed.

Research results turned out to be interesting. One of the basic problems identified regarding strategy execution is that one part of organizations has no strategy formed completely and prepared as a document. Also the declaration of strategy and its proper communication with employees takes place pretty rarely. Though, there are three key components necessary to successful Strategy implementation: relevant structure (Chandler's principle – "Structure follows Strategy" (1962)), resources and, finally, to convince employees (and not forced to accept) to act according to the strategy with the right communication.

Part of organizations has no strategy formed completely and prepared as a document: 80% of organizations, which were surveyed during the

¹ The survey did not cover those organizations who are practicing in the field of education.

research, mentioned that they had formed organization development strategy, though only 27% of them indicated that they had a written strategy. Only 53% of organizations surveyed have strategy prepared as a document.

When strategy is not written this means that organization management takes place on verbal agreements level and decisions taken regarding goals, vision, tasks and their achievement ways stay only in the minds of management team. In addition, when the strategy is not formed in a written way or as a document, achieved agreements and defined goals might be perceived in a different ways by individual manager.

It is also difficult to overview and analyze for a certain period what the organization was planning to achieve and what was achieved, or how was delegated strategic tasks – who was responsible for what. It's also complicated the issue of the communication strategy.

For these reasons it is important not to have strategy only agreed verbally, but to form it as a document, as a major destination for the organization to achieve.

The opinion of Robert W. Bradford, who is the president of Center for Simplified Strategic Planning in USA – www.cssp.com, is interesting. According to him the management and the team which is involved in the process of strategic planning finds it difficult communicate decisions with the employees. This is also complicated by the fact that sometimes management do not want to give information to employees about some parts of the strategy. In addition, it is not desirable to give information about whole strategy to all employees.

In order to make communication process effective, first of all it is necessary to prepare separate document designed specifically for employees. Document should be as short as possible, the most effective can be only 1 page, which will be guided by 15-30 minute informational introductory meetings.

It is also interesting to overview comments from surveyed people regarding this issue. Part of them mentioned that:

- they only have a vision, to where they want to develop their organization;
- they only have the budget;
- they have defined only several major goals, which they should achieve till the end of the year;
- Strategy is a formal document, after its formation it just stays as a document.

Clear description of strategic planning allows us to separate it from business planning, budgeting and marketing strategy. As it is known, strategic plan-

ning is the process of choosing specific strategies for defining required resources, attracting and sharing them for organization's mission and goals in order to ensure organization's effective working in the future.

Strategic plan should describe main decisions taken by management about all the important strategic issues.

For example, the mission of "TBC Bank" is to create new opportunities for the success of people and businesses. Management vision about its development is the following: "with the best employees, strong brand and in diverse innovation channels with outstanding quality:

- The biggest bank in middle and high income people and small and medium sized business segments;
- Main service bank for large companies;
- Leader bank in not resident deposits segment;
- Bank of regional importance².

"InvestBank" (capital bank) mission and goals are: to create strong, stable and reliable financial institution with team-work and with the support of clients, business partners and all the interested people.

During founding of the bank and defining its development strategy, its management set as their goal to create flexible and dynamic bank institution which completely satisfies the demand of local and foreign entrepreneurs and sole proprietors, provides civilized and profitable environment for business.

Namely, bank is operating to achieve the following goals:

- to protect interested people and clients business interests;
- to satisfy and focus on clients' demands;
- to keep high quality bank service level together with financial increase;
- to ensure service quality and bank stability;
- to ensure financial reliability and stable development;
- to satisfy demand level in the bank management and internal control mechanisms;
- to provide transparent bank operations according to international standards and experience³.

The mission and goals of "Legi Group" are to have demandable and competitive offer, to be well-known, innovative and constantly focused on novelties; to establish and retain leader position on the market; to gain customers' confidence in order to always have satisfied customers with service.

"Legi Group" exists on the market more than 10 years. It has its own enterprises in Tbilisi and Gori, which are equipped with modern machinery. There are 100 specialists employed. The company produces the following products: goffered cardboard, wooden boxes, supplementary packaging materials, paper and etc.⁴.

The goal of Pharmaceutical Company "GPC" is to involve society in health improvement process. Its

² <http://www.tbcbank.ge/web/ka/web/guest/mission-vision>

³ <http://www.investbank.ge/ge/about-bank/our-mission-and-goals>

⁴ <http://www.legigroup.ge/indexmain.php>

values are caring, kindness and optimism. Organizations vision is formed as follow: “active by diverse means, to stimulate healthy lifestyle and to foster. Customer needs maximum satisfaction based on progress, innovation and care⁵.”

Declaration of strategy takes place rarely and there is not its proper communication with employees: From research results, communication of strategy with employees is an interesting issue. 90% of Surveyed organizations managers mentioned that company development strategy communication takes place with the help of different methods. However results were different from surveing of employees – 63% of them mentioned, that they don't know organization strategy.



Difference between surveys of top-level managers and employees indicates that in the modern organizations which operate in Georgia, proper communication of strategy with the employees takes place very rarely. It is also possible that this is not done with the appropriate method, form and frequency, which reduce employees perception about what information is received, how important is this information for them or it is presented to them only one time and over time they forget about it. Therefore, without effective communications realization, administration, control and amendment of strategy is too difficult.

Robert Kaplan and David Norton (2000) named 4 basic obstacles of strategy execution in their research, out of which one is the issue – communication of strategy. According to research only 5% of employees know and understand organization strategy, which is one of the important obstacles of its implementation.

To create an organization which is focused on strategy it is necessary to consider the following principles (Robert S. Kaplan, David P. Norton, 2004):

- Translate strategy to operational terms;
- Align the organization to the strategy;
- **Make strategy everyone's everyday job;**
- Make strategy a continual process.

Without effective communication realization, administration, control and correction of strategy becomes very complicated. In the western developed and large organizations even special teams (internal communications teams) are created who are respon-

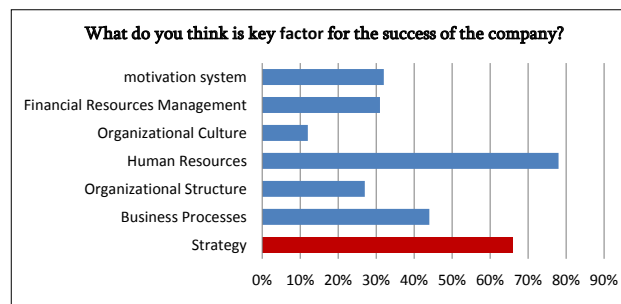
sible for strategy and employees communication.

Different companies use different methods for this. For example: one of international retailing company Tesco especially for this reason created strategy communication format, which is known as Tesco Steering Wheel and consist of 4 components: consumer, operations, finances and people. With the help of this company consistently reminds its employees about company's priorities.



Tesco Steering Wheel

Overall, research results indicate that top-level managers of companies' operating in Georgia give big importance to strategy formation, at least to have organization development directions. This can be seen not only from the research but from specific questions asked during the research. We asked to managers to indicate 3 the most important factors of company success. According to them – 66% of them named the strategy.



Conclusion. Out of research results we can conclude, that strategy formation culture in the organizations in emerging countries is developing gradually. Managers feel the importance of this and are active in this direction. 82% of surveyed organizations' has quantitative/measurable goals (specific figures they should achieve in a certain period), though they pay less attention to have all these formalized, complete and declared.

Communication has a great importance for the organization's activities and its success. After the formation of the organization's strategy, the relevant employees must be informed, otherwise, they will not understand what to do and why. The best idea, a proposal, a plan will not be implemented without a communication.

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⁵ <http://www.gpc.ge/>

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INVESTMENT MECHANISMS OF TRANSPORT INFRASTRUCTURE LOGISTICS UKRAINE AND REGIONS

ІНВЕСТИЦІЙНІ МЕХАНІЗМИ РОЗВИТКУ ТРАНСПОРТНО-ЛОГІСТИЧНОЇ ІНФРАСТРУКТУРИ УКРАЇНИ ТА ЇЇ РЕГІОНІВ

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In the article the investment mechanisms of transport and logistics infrastructure and its regions. The problems of transport logistics.

Key words: transport logistics, investment mechanism, national economy, development of transport and logistics infrastructure.

У статті висвітлено інвестиційні механізми розвитку транспортно-логістичної інфраструктури та її регіонів. Розглянуто проблеми розвитку транспортної логістики.

Ключові слова: транспортна логістика,

інвестиційний механізм, національна економіка, розвиток, транспортно-логістична інфраструктура.

В статье освещены инвестиционные механизмы развития транспортно-логистической инфраструктуры и ее регионов. Рассмотрены проблемы развития транспортной логистики.

Ключевые слова: транспортная логистика, инвестиционный механизм, национальная экономика, развитие, транспортно-логистическая инфраструктура.

Introduction. For stable operation and successfully solve the problem of transport services transport economy of the Black Sea should have modern material and technical base, advanced technology transportation process, conveying and transportation capacity. This requires enhancing the investment activity, providing expanded reproduction, restoration and modernization of fixed assets, which directly depends on the financial support.

According to the general concept of reforming transport, it shall provide organizational transformation circuit expansion investment financing sources related to the formation of the competitive environment in the transport market, auctioning and greater economic independence of market entities. In this connection, to strengthen strategic advantages in a competitive transport sector requires continuous improvement of its mechanism of investment and expansion of production and economic potential by mobilizing all sources of financing.

Analysis of recent research and publications. Theoretical and practical aspects of the development of logistics and transport system in a changing environment considered in scientists such as A.A. Bakaev, Irtyscheva I.O., Pisarenko V.V., Savina N.B., Sobkevych O.V., Stroyko T.V.

Setting objectives. The article is to highlight investment mechanisms of transport and logistics infrastructure and its regions.

The main material research. The crisis forced a review of the role of government in funding a number of industries that require significant upgrading existing

infrastructure and creating new innovation to achieve growth of national economy. In terms of private business financial instability (because of its unwillingness to finance long-term risky projects) took a wait, but the government afford this can not, as required to ensure the growth of the national economy in all, including crisis situation.

Fundamental sectoral features transport products as reproductive irreplaceable by any other production and inability spatial interchangeability of the transport of products (its shortage in one region can not be compensated by an excess of production in the other), determine the need and importance of balanced development of financial security and material base vehicle both in industry and in the regional aspects of the structure of the transport sector.

In an effort to socio-economic development of the regional economy can not be interested in increasing the proportion of transport costs in the cost of financial products, increasing transport 'gross domestic product. The conclusion: no matter how large or small the total cost of living and past social work and work on the development of the transport sector, they can provide economic benefit only indirectly, through other branches of material and non-material production. Therefore, the role of transport in improving economic efficiency is reducing in various transport 'gross domestic product (specific public transport costs per unit of production) and the maximum reduction of all types of loss and damage in transportation.

A number of major shortcomings of modern transport operation region in particular is to provide a low