

STRATEGIC MANAGEMENT PRACTICES IN AZERBAIJAN

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ABSTRACT

Strategic Management Practices in Azerbaijan and its implementation constitutes the subject of research. This research aimed to examine the functioning of Azerbaijan companies, their characteristics, their contribution to management and their effect on firm performance considering the strategic management application. To achieve these objectives, the Central Bank of the Republic of Azerbaijan was selected and examined. The data were obtained by certain methods and related information is given in the paper. At the same time, the problems encountered in the implementation process in the institution, the factors causing these problems and the methods used to overcome these obstacles were also mentioned in the research. As a result of the research, it is tried to determine the process through which the Strategic Management Applications in the country are realized and to determine the importance level of the advantages provided to the companies.

Keywords: Strategic Management, Azerbaijan



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1. INTRODUCTION

According to the strategic management approach, it is now necessary for enterprises to design all strategic management activities and functions in accordance with the strategies they are pursuing. Strategic management practices, which are designed in accordance with the objectives, goals, mission, vision and strategies of the business, have great importance in keeping the organization in the long run.

Article consists of four parts. In the first part, basic concepts related to strategic management are given. In the second part of “Strategic Planning”, the definition of strategic planning and the important points to be considered in planning time are mentioned. Later on, in the “Strategic Management Process” section brief information on the progressive stages was given. In the section “Strategic Management Activity in Azerbaijan: Example of the Central Bank”, the model of institutional strategic management is examined and finally the necessary suggestions for the implementation of the strategic management system throughout the country are given.

2. STRATEGIC MANAGEMENT PROCESS

2.1. Basic Concepts Related to Strategic Management

Strategy: The concept of strategy takes place in the literature as a concept that has been used for centuries and is often seen on the military context (Sütçü, 2008: 9). In the military context, strategy means determining what the enemy can or can not do, and making a general plan in this direction means putting in their own forces and activating them when necessary. In concept management, it began to be used in the second half of XX century. Strategy means a technique that actively acts on resources in order to regulate its relations with its environment and to provide it with competitive advantage (Küçük, 2009: 18).

In general, a strategy is defined as the use of all means and techniques to achieve the goals that a state or organization pursues in accordance with its policy. In addition, a strategy is also expressed as the aim of determining the adaptation objectives, planning the activities and reorganizing the necessary resources by continuously analyzing the

institution and its surroundings in order to give direction and to give a competitive advantage (Ülgen and Mirze, 2006: 33).

Aim: Aim is the wished or desired result to be achieved within a certain period of time. The intent is the conceptual expression of the conclusions that organizations are aiming to reach. The purpose may be abstract or concrete, as well as material or spiritual, human or social qualities. The objectives should be assertive but achievable in accordance with the mission and vision (Akdemir, 2012: 55).

Goal: It is the expression of qualitative and quantitative strategic goals within a defined time frame. For this reason, the targets are “sub-objectives” which can be measured in terms of output to be achieved. Goals must be measurable. Goals (Güner, 2004: 70-71);

- It must be sufficiently clear and understandable.
- Must be measurable.
- It should be ambitious but not impossible.
- Finally, it should be focused.
- The time frame must be clear.

Vision: A vision is a person's own unique thoughts that have been unsuccessful in the past and now unimaginable, clearly expressed about what should be done in the future. He expresses his own perspective, depth, untested thoughts and raw dreams. Vision is the image and thought of where an organization in the long run wants to be. A rhetoric of the future, ideals and priorities, a sense of what makes the organization private and unique, includes a set of principles and values that address the reason for its existence, and the difficulty to determine organizational success (Ramazanoglu, 2006: 53).

Mission: an organization is the cause of existence and provides a framework for demonstrating how it can achieve its strategic goals. The mission defines the long-term vision of the business, what it wants to be, and who it wants to serve. Mission statement forms the basis for objectives, strategies, values and behavior standards (Aktas, 2015: 2). The essential elements of this definition mainly constitute the market, services, functions or activities that the operator has shown in the activity. If an organization has a predefined mission, employees will better understand what purpose and how they work. This will enable them to be more successful in the future jobs (Doğan, 2000: 188).

Core values: Core values can affect a company's current behavior and future in a number of ways, reflecting an organization's past, culture and belief, philosophy and ethical principles. First, corporate values can place restrictions on which activities an operator may have. Moreover, values reveal characteristics that distinguish the institution from other institutions in terms of the position the establishment wants to achieve. At the same time, vision and mission definitions gain content and conclusions as a result of these features and priorities. Thirdly, values are not the decisive feature of the work to be done, but they are the guiding elements of the way of doing things and the decisions to be made (Demirdizen, 2012: 9).

While the strategy approaches the mission in terms of realistic and economic logic, the core values define the emotional and moral direction of the mission. In addition, the individual in the firm is confident that the behavior they have done is the best behavior (Yurtseven, 1998: 29).

2.2. Strategic planning

Strategic Planning is the design of short-term and long-term performance goals and strategies for an enterprise's vision and mission (Acar, 2003: 23). According to another definition, strategic planning is a process that is designed to produce decisions and actions that determine the current state of the business and shape the operations of the business (Yilmaz, 2005: 71). This process applies strategies that target the development of enterprises by producing adaptive solutions for the environment continuously. In this process, through the strategic planning, the enterprise is evaluated and the objectives of reaching the operator, the analysis of the environment and the development of the business resources in reaching these targets and developing it in this direction are included (Acar, 2003: 25).

Business, is the time period in which an institution or organization is explicitly determined where it wants to be after five, ten or more years. Because, in an environment where competition-based and rapid change and development are experienced, strategic planning is primarily aimed at keeping track of changes that are taking place by providing innovation, progress and compatibility with the company's environment. In a rapidly changing environment where the country is under foreign competition, it is necessary for the public institutions to work with institutional strategies and coordinated strategic management approach considering the places and targets in the division of labor in line with the country's strategic goals and plans (Bircan, 2002: 15).

It is getting increasingly difficult for organizations to survive and succeed due to the increasing complexity of organizations, continual changes in the environment, increasing uncertainty, economic conditions, increasing competition, technological insufficiencies, changing socio-political and legal structures and market conditions. For this reason, all organizations in the public and private sectors need vision, strategies that can see and respond to changes in time, and managers who can respond quickly. The main indicators behind the importance of strategic planning are; innovation has a universal character, innovations in technological space, increased competition and democratization (Demir and Yilmaz, 2010: 73).

2.3. Stages of Strategic Management Process.

Stages of the Strategic Management process arise by finding answers

within the framework of specific questions. These phases are created in response to questions or questions. The process stages in which the questions and answers will be given are: “Who will prepare the Strategic Management, What are we; What will happen; What we want to be; How will we be; What are the criteria? And what did we manage? “(Akdemir, 2012: 12).

The entire process of collecting, analyzing, choosing, deciding and enforcing information to maintain the survival of the business in the long run and to ensure sustainable competitive advantage is called “strategic management process”. The stages of the strategic management process are (Baraz: 2012):

Strategists’ selection and assignment: Strategists are those who are responsible for strategic activities at every stage of the process, initiating work on the implementation of the strategic management process in an organization. Strategists in managerial positions are responsible for the preparation and implementation of strategies.

Strategic analysis: It is the process related to the examination of the present situation of the general and sectoral environmental elements in which the business operates and the valuation of the elements in the enterprise. Information is collected first. An important point in this phase is that the necessary and unnecessary information can be separated from each other. Because businesses are constantly confronted with every kind of “information bombardment”. Then, in the light of collected information, the “outside” and “inside” environment of the operator is analyzed.

Strategic orientation: In the course of strategic orientation, the mission, vision and objectives of the business are determined.

3. 2011-2014 AZERBAIJAN CENTRAL BANK STRATEGIC PLANNING

As the strategic management practices in Azerbaijan have just been put into practice they are almost exclusively in strong businesses and are still working on implementations and developments in practice.

One of the institutions where Strategic Management Activities are carried out in Azerbaijan is the Central Bank of the Republic of Azerbaijan. The central office of the Central Bank of the Republic of Azerbaijan is located in Baku. After the establishment of the People's Republic of Azerbaijan on May 28, 1918 On September 16, 1919, the Regulation on the State Bank of Azerbaijan was adopted and the Bank activity started on September 30.

“On the establishment of the National Bank of the Republic of Azerbaijan” was established on the basis of the Presidential Decree of the President of the Republic of Azerbaijan dated February 11, 1992, on the basis of the State Bank, the former USSR Industry-Building Bank and the USSR Agricultural-Industrial Bank. The name of the bank (the “National Bank of the Republic of Azerbaijan”) was changed to “the Central Bank of the Republic of Azerbaijan” according to the result of the public vote dated 18 March 2009.

The main objective of the Central Bank's activity, According to Azerbaijan Republic Law “About the Central Bank of the Republic of Azerbaijan” on December 10, 2004, is the provision of price stability within the framework of its authorities. is the provision of price stability within the framework of its authorities, at the same time to ensure the stability and development of the bank and payment systems.

The Central Bank in order to achieve its goals:

- It determines the state's monetary and foreign exchange policy and is applicable;
- Arranges cash flow;
- It carries out the withdrawal of the money from the treatment and the withdrawal of the money;
- Manat continually determines and announces the official exchange rate compared to foreign exchange;
- Conducts foreign exchange regulations and control in accordance with the legislation;
- It hosts and manages international gold-foreign exchange reserves at its disposal;
- It prepares the balance of report payments and takes part in the preparation of the country's estimated balance of payments;
- It regulates the bank's activities by licensing and supervises bank activities as stipulated by law;
- It arranges and coordinates the effectiveness of payment systems and performs control over them in accordance with the law.

The central bank is determined to be a reliable, transparent and modern public institution with modern management, developed human capital, high corporate values and culture, which serves the prosperity of the society by effectively selecting the benchmarking component of

the most advanced central banking activities at international level system since 2001. In the Basis approved by the Central Bank in 2013, information on strategic management activities is given.

Central Bank of the Republic of Azerbaijan The Strategic Management Department is the central structural unit of the Central Bank of the Republic of Azerbaijan.

In its own activity, the Department is responsible for the constitution of the Republic of Azerbaijan, the laws of the Republic of Azerbaijan, the laws of the Republic of Azerbaijan about the banks, the normative laws of the Republic of Azerbaijan, normative acts of the Central Bank, it also keeps this Essential Guide. The Department operates in connection with the other structural units and institutions of the Central Bank during the fulfillment of the functions specified in this Code.

The main objective of the Department's activity is to support the strategic management process in the Central Bank and to ensure its effective implementation and help the Central Bank achieve its institutional development goals.

Basic Functions of Department:

- Managing the strategic planning process;
- Execution of strategic monitoring and reporting;
- Development and training of program and project management standards;
- Support and coordination of planning in the area of operational management;

- Monitoring and reporting of operational performance in the field of Operational Management;
- looking at applications made to the department's activities, preparing answers to letters and surveys;

The Strategic Plan prepared by the Central Bank for the years 2011-2014 includes a strategic perspective, mission, values, new priorities and strategic targets. However, the financial budget allocated for strategic targets is not publicly disclosed by the bank. These strategic goals are as follows:

Strategic Goal 1:

- Establishment of modern central banking in empirical research in accordance with research standards,
- Development of intellectual resources of monetary management..

It is planned to strengthen the dynamic macroeconomic modeling and forecasting systems, to expand the empirical investigation of the micro and macroeconomic environment of money and exchange policies, to the development economics and finance, and to create the empirical research potential for the world economy, in order to create modern central banking within the scope of empirical research according to research standards.

In order to develop intellectual resources in money management, it is envisaged that some important projects - such as graduate students for economics and banking, virtual central bank laboratories, museums, electronic libraries .

Strategic Goal 2:

- Completion of the creation of the new structure of the risk-based audit system,
- Establishing a misguided process of the risk-based audit system.

It is envisaged that the concept of risk-based audit system should be completed in order to complete the process of establishing the new structure, preparation of legal regulatory infrastructure for risk management in banks, preparation of methodology for evaluation of main risk categories, and risk management and evaluation of internal control systems.

The creation of a new control regime for the banking system is planned for the creation of a period of realization of the risk-based audit system.

Strategic Goal 3:

- Establishment of a new management system of cash money in accordance with advanced standards,
- Establishing a fully automated modern treasury infrastructure.

In order to establish the new management system of cash money in line with the latest standards, the necessary measures will be taken such as the creation of the new accounting system and the economic analysis base as well as the modern designs and specialized institutions of money icons, and the processing of the future development model of cash money management.

In the context of the creation of a fully automatic modern treasury infrastructure, The establishment of a fully automated modern treasury infrastructure, the establishment of modern infrastructure for the

protection, transport and processing of cash money, all business processes are based on modern technologies full automation will be passed on.

Strategic Goal 4:

- Establishment of a single electronic statistical database and analytical reporting system,
- Establishment and issuance of cumulative external debt and international investment balance statistic,
- Creation of a comprehensive monitoring system for the real sector.

In order to create a single electronic statistical database and an analytical account system, the project will be passed on to the single space full automation of data collection, processing and publishing processes. Total external debt and international investment balance are to be created and developed business processes necessary for the regulation and publication of statistics. In order to establish a comprehensive audit system of the real sector, it is planned to establish a statistical database which measures the economic situation and evaluates the financial situation in the institutional sector.

: Strategic Goal 5:

- Modernization of corporate governance structure,
- Full adaptation of the internal control and risk management system to internal control and risk management.
- Creation of a new operation management system.

In order to modernize the corporate governance structure, it is planned to establish the new management structure, the establishment of the modern management information and accounting system, and the functions of the structural units supporting the Bank's Board of Directors, based on modern principles. It is planned to establish the institutional framework and capacity - management framework, methodological database and regulatory processes, business processes and related personnel potential necessary for full adaptation of the internal control and risk management system to the lead practice.

Strategic Goal 6:

- Establishing a new training model for the development of individual qualifications,
- Establishment of an individual efficiency and development planning and evaluation system,
- Creation of new motivation (also career development) system

Long and short term foreign education programs, effective internal education and information institute project are planned to be passed on to create a new educational model for the development of individual activities.

For the purpose of establishing an individual effectiveness and development planning and evaluation system implementation of new individual activity and development plans based on authority, and the complete creation of the new system are among the plans.

In order to create a new motivation (also career development) system, it is planned to evaluate the new task on the basis of modern international experience and local specificity, and to set up effective rewarding on this basis, as well as the creation of dual career ladder system.

Strategic Goal 7:

- Establishment of an external communication system focused on target groups,
- Establishing an internal communication system that supports the development of institutional cultures,
- Creation of Corporate Social Responsibility policies

New tools for internal communication will be encouraged and new technological tools will be developed to establish an internal communication system that supports institutional cultural development.

Projects that support the government's social policies in different ways will be passed on to create the Corporate Social Responsibility policies.

: Strategic Goal 8:

- Establishment of the cost accounting system,
- Making financial accounting and reporting compatible with new demands.
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In order to establish the cost accounting system, a project will be passed through which measures the costs for each type of activity that constitutes the business processes carried out in the Bank. At the same time, the project will ensure that the financial costs of each business cycle and each functional aspect of the Bank are determined.

A new Accounts Plan will be prepared to adapt the financial account to new requirements. The New Accounts Plan will allow the depth and scope of financial data and banking statistics to increase. This will increase the possibilities of monetary and financial analysis.

Strategic Goal 9:

- Establishment of a modern management system of supporting services,
- The construction and use of the modern administrative building of the bank.

In order to establish a modern management system of supporting services, it will be restructured the planning, organizing, controlling and evaluating internal services within the scope of leading. As a result, domestic services will be ensured to meet modern quality standards.

The construction and use of the modern administrative building of the bank further improvement of the institutional business environment of the physical workplaces in the bank will allow the implementation of business processes at more modern standards, allowing for a significant increase in the efficiency of professional activity.

4. CONCLUSION

It can be said that the Central Bank has successfully implemented the strategic plan covering the years 2011-2014. The main strategic priorities of this period were the establishment of macroeconomic stability, the preservation of financial stability in the banking system, the substantial modernization of functions serving the basic mission, the adaptation of institutional management to the most modern practice, the development of the Central Bank human capital and the support for economic development.

Despite the complicated processes leading to the global economy in 2014, the national economy of the country has been developed and proved stability and determination. The stability and resilience of the banking sector has been achieved and the sector actively supported economic growth and enlargement processes. The process of increasing the capital amounts of the banks has continued. The accumulated capital of the banks has increased by about 2 times compared to the previous period due to the acceptance of the capital increase decision. Capital adequacy now stands at 19% against the international standard of 8%. The economic reforms that have been created have made it possible to respond adequately to the risks posed by the created potential external environment.

Implementation of projects to accelerate institutional development under the strategic plan has also been successful. Extensive work has been done to modernize all aspects of banking activities. The Bank's institutional development process has been accelerated, attention to the development of human resources has been increased, continuing trainings have been established, projects have been passed down in order to realize functional and business processes effectively.

Furthermore, new strategic tasks for sustainable development have been realized. The country ranked at the top ten in the world in terms of macroeconomic sustainability data. Hundreds of thousands of new

jobs were opened in the country, and the socio-economic development of the regions accelerated. In 2013, the Central Bank directed its policies towards achieving macroeconomic and financial stability, which are key conditions for balanced development, reaching key targets such as low inflation, stable exchange rates, stability in the banking and finance sector, and financial intermediation in the country.

The global conjuncture of the economic growth and development process in the country in 2014 continued in the conditions of high domestic economic activity. By maintaining its strategic and political principles, the Central Bank has provided comprehensive support for the solution of new strategic tasks in front of the country's economy in 2014 and has worked to neutralize the risks that might arise from the global economy.

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