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STRATEGIC PRODUCTION MANAGEMENT IN ENTERPRISE

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Abstract. *Strategic management business activity is the basis of every enterprise concerning involvement in international business. It is that condition that is necessary for the enterprise in order to lead in techniques, technology, and production, marketing activities and entire business organisation. Business internationalisation on the global market, the aim that every enterprise strives for due to very broad economic horizon of management, may be realized only through strategic business alliances. It is by market and the other limits levelling, as well as by use of flexible forms when cooperation between enterprise is concerned, together with management and marketing behaviour of the enterprise, that use of adequate business strategies is provided for. That is why strategic management over production is to ask for special strategies in the scope of technology, product and market, which should provide for different priority for every enterprise - partner in strategic alliance and its development on the global market, and that is the paper to be dealt with.*

1. INTRODUCTION

Functional relation between growth and development of an enterprise and market globalisation is unavoidable in modern economic conditions. That has a reflection on strategic behaviour of the enterprise and its choice of some concrete strategies of growth and development. That is why the market economy, with its risks, uncertainty, successes and failures, forces on enterprise an entrepreneurial behaviour. The basis of this behaviour has to be in strategic management. The behaviour has to be capable to create or efficiently use potential possibilities and to provide itself a market advantage. However, since the business potentials are different, enterprises have different reactions on the same environmental changes and that is way there is a need for its qualitative management.

Strategic management over business potentials is the basic task of managers and

planners, organizers and controllers have to formulate and concretize it. The planners through strategic planning have to coordinate short-term activities of the enterprise and its long-term growth and development, the organizers have to set an appropriate organizational structure and organizational activities, and the controllers have to make ex ante control of all activities for realizing good actual and future business results.

In the market economy, managing development is nothing than an influence in effects of factors of effective and efficient business and taking the appropriate measures. This management is performed on the basis of concrete development strategy including the goals of development, the resources and the time for their realization. Therefore, the strategy contains the set of planning decisions for setting a direction of enterprise development.

The business area, determined by certain product-market relation, is the basic element of development strategy. From the standpoint of product, the strategy requires an adequate technology choice and regular allocation of production factor, and, from the standpoint of market, the strategy requires a solid competitive capability of the enterprise and its products. Therefore, it could be say that the production strategy and the strategy of competitive products are the basis of product-market relation. That is a basis of establishing "strategic alliances" and market globalisation which should provide for differential advantage for each partner in "alliance" and its development.

2. PRODUCTION STRATEGY

Production strategy is nothing but the strategy of technology, product and production program. The production strategy has to be based on connecting flexible systems of production and sales, which is necessary because of interdependence and connection of business functions, primarily functions of research and development, marketing and production. The dependence manifests in the demand of marketing function for great flexibility on the market, that requires a flexible production, affected by the development of new techniques and technologies. This, also, incorporates a competition, as the main tool of strategy of production program or strategy of growth and development.

The flexible production has to include both flexible production factors and flexible business functions. The flexibility of production factors has to be reflected in flexible plants, which are adaptable to appropriate changes of production program. It is, primarily, thought on automatic plants integrated by computers. There are, also, demands for flexible materials and energy, which are ready for fast reaction on market requirements. The results of such production are a great number of product types, with low production costs, disregarding the scope of production.

These considerations requires not purely economic, but a marketing approach. The economic approach is emphasized when cost of production factors (relating to all characteristics of a product) and costs of sales factors are perceived.

From the above-mentioned we could conclude that a producer, choosing a product for its production program, has to take into consideration the three product dimensions function, technology and positioning, since they are completely suitable to the relation market - product.

In product function area a producer could move through the limits of existing

function of already existing product in production program and he could expand, specialize or complement the function. The producer, also, could set a new product function by including a new product in the production program. There is, also, the need for incorporating strategy from the standpoint of sorts of product and it can be:

- production strategy of one sort of product,
- production strategy of several sorts of product, and
- strategy of product groups (Category Management).

Production strategy of one sort of product is characterized by high level of specialization, high profitability resulting from the economy of scope and high competitiveness. In relation to market share growth or market scope, the advantages of the strategy are small and there is a possibility for product to become old-fashioned and to fade way.

Production strategy of several sorts of product is a strategy of high market share and profitability and it is usually preferable because of some dangers of previous strategy. On that occasion, enterprises take care of a synergetic effect, that is savings in production and sales cost. It is about the products of production program that give competitive advantage to the enterprise. It could be obtained by synergy in production, management, financing and marketing. The synergy appears in a possibility to use the same production factors in production of all products from production program, the same organization, planning and control system, systems of distribution and advertising and the same financial capabilities and liquidity.

On the basis of the factors which have influenced forming product groups, the product groups could be defined as several products in the same sort that have a functional interdependence, based on the same technologies or selling to the same customer group, with possibility to use the same components of marketing mix (advertising instruments, distribution channels in the same scope of price, the same services after sales etc.). The illustration for this could be products for make-up - cosmetology. Besides the mentioned factors that classify the cosmetic products in the same group, another important factor here could be the known trademark that guarantees the success. The success means market share of product group and profitability of the group and of each product in the group. The producer has become a monopolist, avoiding its competitiveness and obtaining particular customers or customer groups for the enterprise. This, of course, influences certain synergetic effects in production and minimizing inputs.

The acceptance of the final production program related to the market can be made only on the basis of contemporary programs and strategic planning analysis - portfolio models. That is a strategy that, by Nielsen, should have its cycles such as:

- product categories review
- customer selection
- sales planning
- strategy realization and
- result estimation.

In that sense, there is management of product groups on the basis of important dimensions of product: functions, technology and positioning, because all of them completely are suitable to market - product relation.

In the technology area, a producer on his point of view sets a technological process of

production, but he is obligated to emphasize product technical characteristics, resulting from certain technology. Strategies in product technology area are related to product research strategies. In this area, the enterprise can lead offensive and defensive strategy, with a broad fan of traditional, opportune, imitative and dependable strategies.

In the area of product market positioning, a producer, relating to its competitors, can behave on the three ways: to adopt them, to cooperate with them or to be competitive with them. Surely, the most interesting relation for the producer is the competitive relation, since it gives him certain market advantage and provides a good final financial result.

A satisfactory position on the global market more and more can be achieved through a partnership relation between producers themselves and between producers and trade in technology, production, information system and others. That is enabled only through so-called "strategic alliances" or "nets" of business partners. Their main characteristic is a cooperation in strategic management, which has to provide a right developmental behaviour of enterprise, from directing business activities in the sense of recognizing its chances and threats to analyzing factors of business success in broader economic horizon of enterprise. Forms of cooperation are numerous and different and they have to provide differential advantage of each partner. The forms of cooperation could be a possible and adequate way of restructuring Yugoslav economy and its enterprises.

Only such conditions of cooperation allow production management by objectives, especially those:

- from the standpoint of product function,
- from the standpoint of technological procedure for production,
- from the standpoint of customer needs,
- marketing objectives related to the other product characteristics, and
- financial objectives.

The basis of the objectives from the standpoint of production function is product effectiveness and total effectiveness of production program.

The objectives from the standpoint of technological dimension are related to the elements of production. One of them is that technological procedures for changing existing products or introducing new ones are based on using the existing plants, which provides a greater degree of their use and avoids new investments in new plants. Consequently, total production costs are lower. In the same way can be treated raw materials, solving many problems, from purchase and suppliers to providing qualitative raw materials for quality product.

From the standpoint of customer needs, the objective of enterprise is to keep existing customer as well as to attract new ones. The objectives are in a functional relation with the other product characteristics (basic, general and special), except the functional ones, and some of them are in narrow relation with certain objectives in the group of marketing objectives. That is especially related to some special product characteristics (fashion and style, mark or name and design).

Marketing objectives pay special attention to the objectives related to distribution channels and advertising. Every enterprise, disregarding certain changes in its production program, tends to keep the same distribution channels, if they are adequate for certain products and provide an effective business. The same situation is with advertising. Price is, also, a marketing objective, based on all mentioned objectives and it, therefore, a basis

for realizing financial goal.

However, managing the changes of production program by objectives requires the analysis of all the factors and perceiving their development capabilities. There is, also, a need for defining the enterprises that could organize flexible production. The previous practice of our and foreign enterprises has shown that overall flexibility of enterprise, stated in the economy of flexible production systems or flexible production program, is specially expressed in small and middle enterprises.

This system have to be based on many production management methods, such as:

- Material Requirement,
- Planning,
- Distribution Resource Planning,
- Just-in-time, and many others that will be the subject of another papers.

3. PRODUCT COMPETITIVE STRATEGY

Product competitive market strategy, which, also, is in function of economic criteria of enterprise development, is a strategy of creating certain name and image of enterprise and its products. The strategy focuses on markets, market segment or particular customer groups and product positioning. The product positioning is a place of product on market in customer conscious, in relation to competitive products. The customer conscious relating to the product is a set of perceptions, impressions and sense for the product relating to competitive product. Perception, impression and sense for the product are usually made on the basis of product characteristics, its use and customer needs it satisfies. Than, the perception, impression and sense for the product compare with the same elements of another product and select the best. The enterprise wants with its competitive strategy to take a favourable market share for certain time. That is why the product positioning have to be done relating to market and time, which is the time observed on the phases of product life cycle. So, a key for successful market positioning of enterprise is taking an adequate place in customer conscious. A favourable position relating to the competition can be taken by a favourable and recognizable image of enterprise. This can be done by simultaneous analysis of customers and competitors. Customer investigation provides the characteristics of supply on which the enterprise could take the best market position.

By product positioning on certain market in certain time, the enterprise takes activities of enterprise positioning and value estimating its supply, which is different from competitive one. Customer could understand "speciality" of the supply if is differentiated from the point of product characteristics and price and, if competition is strong, from the point of the other mix elements, distribution mix and promotion mix. If enterprise decides to obtain its competitive advantage on the basis of all marketing mix elements, it at the same time has chose strategy of preference. The final aim is to create the image of product and enterprise that provide for keeping in customer conscious and pointing out the "speciality" of product and enterprise. Creating a conception of product positioning, on usual phases, requires knowing the key needs and motifs of customer for buying the product. If the needs exist, than the motifs of customer behaviour are the basis of realizing management actions. The motifs could be very different and mostly relating

to product characteristics (quality, mark, name, taste, label, recognizability, design etc.), positioning with the product price on market. So, product positioning maps can be made on the basis of relations of different product characteristics and they provide the most important motif. The maps can be grouped from the point of importance.

On the basis of the defined motifs and product market position, the analysis of internal and external (sale) capabilities and the analysis of factor which are beyond control of enterprise (for instance, national economic politics, living standard of citizens etc.), it could be done SWOT analysis of strengths, weaknesses, opportunities and threats of enterprise for certain product and, then, suggest a strategy of price, advertising and channels of sales on phases of product life cycle, for providing the strategy of product and enterprise preferences.

SWOT analysis has to be an estimation of enterprise strategic positioning relating to the product that identify the capabilities for activating forces and overcoming weakness in environment.

The strengths are expressed through a favourable product in the sense of its quality, as the most important motif, a favourable product positioning on local market and the abilities for increasing the share on other markets, helping by economy of flexible system of sale. The flexible sale is based on offensive gaining a market by new products for satisfaction of existing and new customer needs. The flexible sale, because of flexible production, is characterized by product with short life, with which a producer can avoid competition and imitation, can make the product unique and profitable in its life cycle. This approach provides avoiding risk and uncertainty and including in international businesses, which are carried out through "strategic alliances" in business strategic management. This is the basis of market concept of development, expressed in economies of developed countries. The failures could be the old-fashion equipment or management and marketing absence, which, with the threats from market such as: low buying power, strong competition, wrong national economic politics etc., usually result with negative effects. However, taking into consideration all of the elements and obtained product market positioning, it is possible to improve the product position through product management and adequate strategies of marketing mix elements on the phases of product life cycle.

4. CONCLUSION

The aim of the paper is to point out the necessary activities of enterprise in strategic production management. It is incorporated in enterprise growth and development and market globalization, as unavoidable condition of market economy.

Production strategy and strategy of competitive product are based on the economy of flexible systems of production and sales and they are presented inside of "strategic alliances" - "networks", with the aim of pointing out the advantage of working inside them. The previous practice of many firms in the world, which are members of some of known "networks" shows the advantages and disadvantages of that organizational form. However, the advantages of participants in "network" are enormous relating to their failures, that refers to a need for further associations. It is one of the chances for success in the global market and one of the ways of success in high-market competition. It is, also, a chance for transition economies, as our economy is.

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STRATEGIJSKO UPRAVLJANJE PROIZVODNJOM U PREDUZEĆU

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Strategijska upravljačka poslovna aktivnost predstavlja osnovu svakog preduzeća pri njegovom uključivanju u međunarodno poslovanje. Upravo ona je neophodni preduslov za vođstvo preduzeća u tehničkim, tehnološkim, proizvodnim i marketing aktivnostima i aktivnostima upravljanja celokupnim njegovim poslovanjem. Internacionalizacija poslovanja na globalnom tržištu, kao cilj kome teži svako preduzeće usmereno ka vrlo širokom ekonomskom horizontu upravljanja, može se ostvariti jedino kroz strategijske poslovne alijanse. One se stvaraju putem nivelisanja tržišnih i drugih ograničenja, kao i primenom fleksibilnih oblika kooperacije između preduzeća, uz odgovarajuće upravljačko i marketinško ponašanje, što je determinisano adekvatnim poslovnim strategijama preduzeća. To je i razlog zašto strategijsko upravljanje proizvodnjom treba da pronalazi posebne strategije u domenu tehnologije, proizvoda i tržišta koje obezbeđuju različite prioritete za svako preduzeće - partnera u strategijskoj alijansi i njegov razvoj na globalnom tržištu, a to je upravo i osnovna svrha ovog rada.