

## System-reflexive marketing in business management in the post-Soviet space

*The article presents the study results of market failures and the success of the enterprises of different forms of ownership in Russia, Belarus and Ukraine. The main problems of marketing in the post-Soviet space are revealed. A new paradigm of systemic-reflexive marketing, generalizing the evolutionary development of marketing and strategic management is formed. The article demonstrates the advantages of the system-reflexive marketing implementation at the enterprise in order to solve many problems of modern business.*

*Strategic management, marketing, strategic marketing, stakeholder, reflexive management, system-reflexive marketing.*



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### Introduction

Strategic marketing as the basis of market management is included in the activities of a considerable part of enterprises in Russia, Ukraine and Belarus. The strategic marketing approach to market activities becomes one of the main conditions for the formation of a strategic competitive business prospect in terms of globalization processes intensification, the enhancing of competition at the international level, the reduction in the life cycle of goods and services, development and rapid transfer of new technologies. It is effective strategic marketing that is one of the most important priorities at many enterprises.

The strategic management issue has been discussed by a significant number of scientists, such as A.D. Aaker, D. Abel, I. Ansoff, D. Grigsby, P. Drucker, J.-J. Lambin, P. Lorange, J. Miner, H. Mintzberg, M. Porter, C. Prahalad,

M. Stal, A.J. Strickland, A.A. Thompson, E. Toffler, G. Hemel, A. Chandler, J. Steiner. In the post-Soviet space, the issues of strategic management and strategic marketing have been examined by G.L. Bagiev, O.S. Vihansky, E.P. Golubkov, V.V. Kevorkov, N.V. Kudenko, I.V. Lipsits, S.V. Nikiforov, A.P. Pankrukhin, D.V. Raiko, A.A. Starostina, R.A. Fatkhutdinov, V.D. Shkardun, etc. Most of the authors highlight that strategic marketing lays the foundation for the modern enterprise management.

At the same time, strategic management and strategic marketing are often regarded as separate management systems. The marketing concept is frequently implemented in the activities of enterprises through the application of certain marketing tools. At the moment, marketing as the technology of strategic business management has not yet become widespread.

### **Aim of the research**

Marketing is often regarded as the function in a commercial or planned management paradigm, despite the significant progress in its implementing in the business activities in the post-Soviet space. The perception of marketing as the cost (not the profit) centre at the enterprise affects the small role of the marketing function in the formation of business strategy, business planning and the enterprise management. The causes of this phenomenon are the following:

1. The marketing function in most enterprises is not oriented to the financial result. Financiers and marketing experts of the enterprise can not find a common ground with regard to the balance between current income and, say, the brand capitalization (long-term yield). A senior business executive frequently proceeds from commercial, industrial or financial orientation of the business, and not from the position of market (marketing) management. It is necessary to implement internal and integrated marketing, to increase the knowledge level of managers in order to cope with this fact.

2. Marketing tools are intended to deal with certain market problems. At the same time, the system adjustment of tasks and applied instruments mostly takes place at the level of strategic marketing. However, strategic marketing decisions are frequently not the key decisions of the business, and are subject to industrial or financial decisions. Thus, the author comes to the problem of business, i.e. the difference in interests of business owners, the general manager, financial service, commercial, marketing, production services, etc.

3. The absence of an action strategy is a defining issue of the business management, negatively affecting not only the volume and uniformity of capacity utilization, but also the adaptive potential, resulting in the reduction of the enterprise viability. The problem can be

solved through the system application of new progressive methods of strategic marketing management, which take into account the dynamism of the market conditions, the need for administrative decisions under the uncertainty, globalization of market environment.

Thus, the problem arises with regard to the formation of a new strategic management paradigm, based on the strategic marketing as an approach to the adjustment of economic interests of the control object (business) stakeholders.

### **Survey results and methodology**

In the 2007 – 2012 period the author conducted a number of studies of the enterprises of different forms of ownership in Russia, Belarus and Ukraine. The main research issues were to identify the root problems of market failures and achievements (new businesses, the launch of new products and brands, the reinforcement of existing products and brands), and to define the role of marketing in business.

The main problems of marketing in the post-Soviet space (the percentage of the problems prevalence; the sample of 387 companies) can be defined as following:

- the perception of marketing as a separate function of the business or a set of business tools, but not as the paradigm of business administration (92%);
- non-involvement of the company's personnel in marketing, incomprehension of the essence of marketing, or marketing activities and functions of the marketing department by other experts (84%);
- low efficiency of marketing activities (77%);
- the financing of marketing activities according to the residual principle (58%);
- marketing regarded by top executives as the function of the marketing department; low priority of marketing in activities (81%);
- the lack of marketing research effects on managerial decision-making (49%);

- destructive functional conflicts ‘marketing and sale’ (73%);
- the primacy of the creative approach in marketing; the strategic approach disregard (59%);
- the low level of professionalism among marketing specialists; formation of marketing services on leftovers (64%);
- the domination of standardized strategies in the foreign companies’ marketing activities in the post-Soviet space (the majority of the leading marketing specialists, working in the representative offices of foreign companies, have limited functions, do not take strategic decisions, are not responsible for the innovation and the formation of markets, but are respected in the marketing community due to the volume of advertising budgets allocated by these specialists) (60%; the sample of 48 companies);
- the orientation of the company’s marketing specialists at the promotion of their own (personal) brand, and not at the business efficiency (36%).

The research of marketing concepts and strategic marketing, in particular, proves to be complicated, due to the fact that marketing is simultaneously considered by scientists and practitioners as an approach to the conduct of entrepreneurial activities, the paradigm of strategic business management, the method of market activities, the tool kit of business, social and political activities, etc.

The author suggests classification of the marketing concepts, and resolves, the contradiction between approaches to the understanding and application of marketing in practical activities, on the basis of the systemic-reflexive paradigm.

The proposed system-reflexive paradigm of the strategic marketing management represents the new stage of management systems development. The convergence of strategic management and strategic marketing, lately being present in the control theory, and in business practice, acquires a different content in

the system-reflexive control. System-reflexive control is of subjective character, i.e. not the enterprise, but the entrepreneur or executive (manager) is regarded as the unit of market control. The control object of the reflexive marketing manager comprises a business (business activities), enterprise, market and stakeholders of the business, enterprise or market, respectively.

Reflexive control, being one of the most balanced management models with regard to the interests of stakeholders, is the basic task of the system-reflexive control. The author of the reflexion theory V.A. Lefebre defines reflexive control as a special impact on the enemy, specified by the controlling party, in order to sway the enemy’s decision [4]. According to V.A. Lefebre, the point of reflexive control is to use the subject’s ability to ‘consciously construct images of the self and the others’.

The concept of system-reflexive control is introduced in the article as the forms of management with system reflexion, activities on managing the ‘general object’, with the involvement of counterparties (the subjects of confrontation management, partners in the relations), whose interests, intentions, actions are predictable predicted and manageable.

The system-reflexive control stipulates the following:

1. The subject of management becomes aware of its own interests.
2. The acknowledgement (objectification, actualization) of own interest with regard to the control object.
3. The identification of the control object, that corresponds to the interest of the system-reflexive control.
4. The identification of the counteragents in confrontational relations and of the co-operation within the control object.
5. The control over the counteragents’ behavior through transferring the basis necessary for decision-making to the jurisdiction of the counteragents.

The system-reflexive control provides for cyclic processes (*fig. 1*). Thus, for example, the definition of the control object and the interest to it has been constantly transforming, since the promotion of knowledge about the control object affects the specification of the reflexive manager's interest, while the acknowledgement of the interest impacts the specification of the control object.

Let us apply system-reflexive and marketing approaches to management, proceeding from the fact that the marketing concept implies such

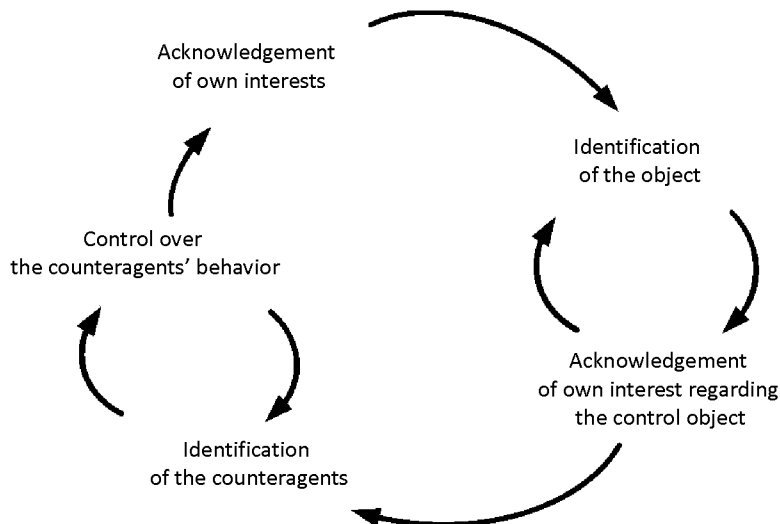
form of management, in which the interest of the control subject is fulfilled through mutual implementation of the counteragent's interest by means of exchange (*fig. 2*).

Marketing provides the following (*fig.3*):

The subject of management (managing director) is aware of the control object (business, client or target group, exchange, market, ...) and its own interest with regard to this object.

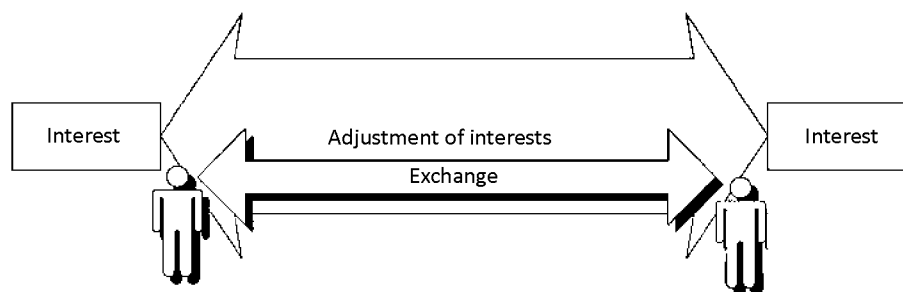
The subject of management understands the interests of counteragents in exchange operations or takes control of their interests.

Figure 1. System-reflexive management



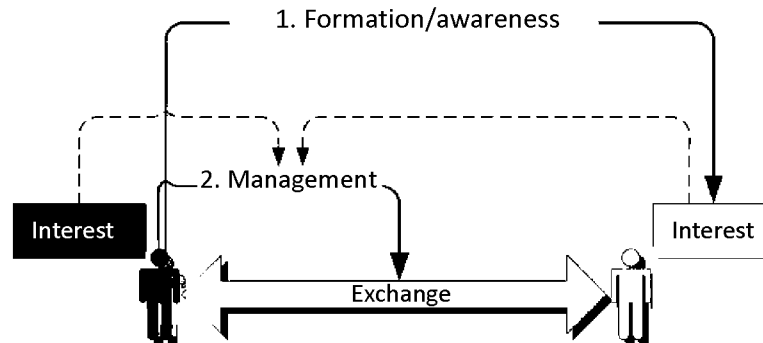
Source: the author's own developments.

Figure 2. Graphic representation of the marketing concept



Source: the author's own developments.

Figure 3. Market exchange management as a mechanism of interests adjustment



Source: the author's own developments.

The subject of management realizes its interest through creating the conditions for the fulfillment of the counteragents' interest.

Thus, marketing can be defined as an approach to management, providing for the fulfillment of the manager's interest through creating the conditions for the fulfillment of the counteragents' interest in the market (exchange) relations.

The definition accurately reflects the marketing substance amid attempts to define marketing through its tasks set (the market analysis, the development of trade policy, etc.), regardless of its scope (policy, economy, business, personal relationships)

The system-reflexive marketing as the new paradigm of strategic marketing management is obtained by combining the conceptions of marketing and system-reflexive control. Two more items, corresponding with the marketing concept are to be added to the five points of the system-reflexive control enumerated above:

6. The consideration and/or the formation of the counteragents' interests.

7. The arrangement of conditions for the fulfillment of the parties' interests through the exchange process.

Thus, the system-reflexive marketing is the marketing, in which the management is carried out through the systemic distribution of inte-rests of the subjects of market relations, while the adjustment of interests is carried out from the reflexive marketing manager's standpoint.

The rank of the system reflexion is the degree of awareness of the control object, the coverage in the process of situation analysis and the formation of management decisions, influential interests of the subjects of market relations. System-reflexive marketing comprises various levels of marketing decisions-making, determined by the rank of reflexion (*fig. 4*):

0. Sales process.

0. Relationship marketing. The tools of influence marketing.

1. The control over the client's behavior. FOPSTIZ.

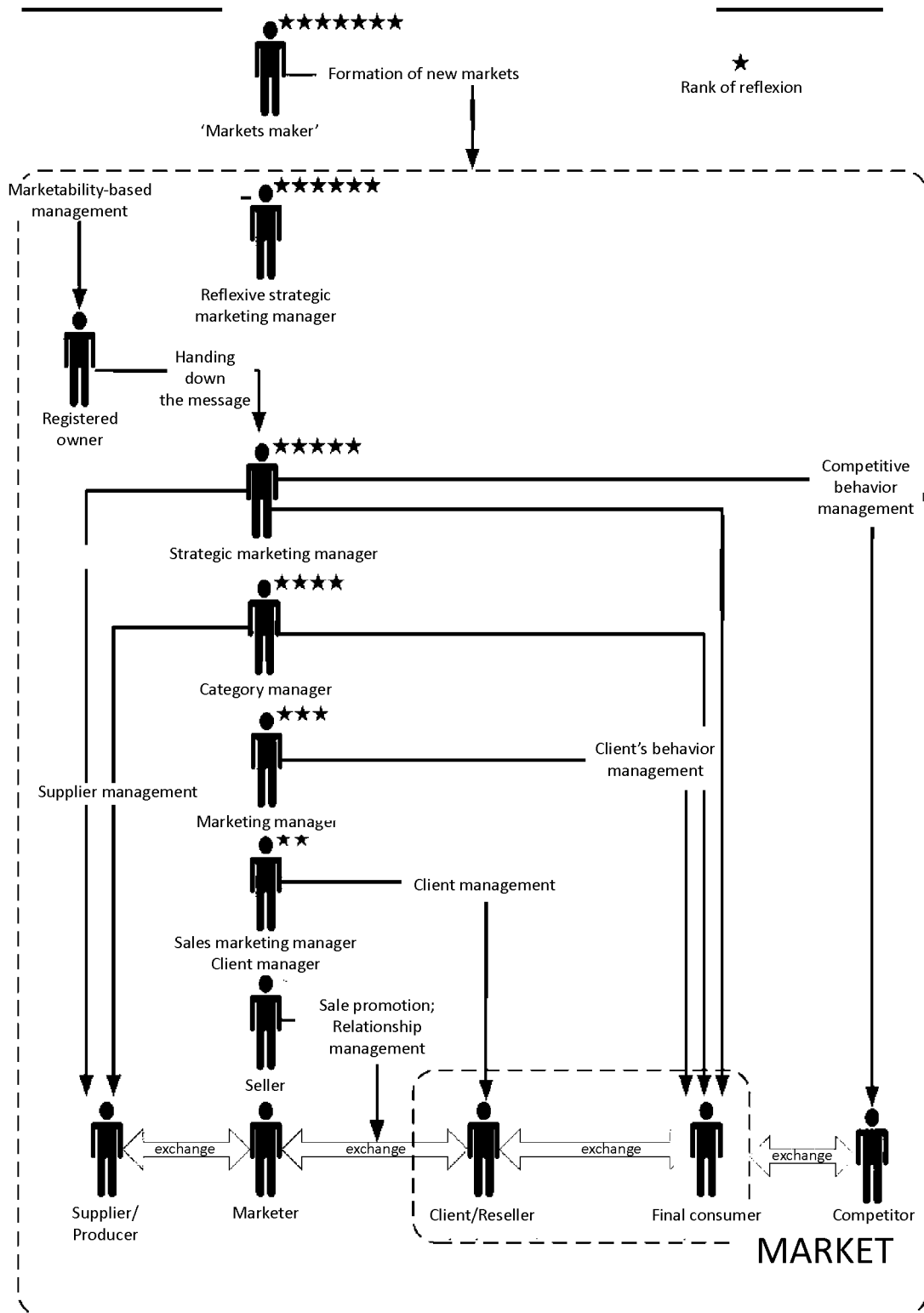
2. Classical marketing: marketing complex, positioning, functional marketing strategies.

3. Category management.

4. Strategic marketing. The adjustment of the internal stakeholders' interests through the formation of a strategic vision.

5. Strategic marketing management from the standpoint of the actual business owner.

Figure 4. Levels of marketing decisions-making



Source: the author's own developments.

6. The market as a whole is considered as the control object. The formation of new markets ('blue oceans').

At the zero rank of reflexion, commercial activity involves exchange operations, emerging spontaneously. When realizing own interest, a sales manager becomes to 'press' the client; the marketing approach can not be claimed in this case.

Marketing arises when the manager takes reflexive position to himself/herself and to the client.

*1. Relationship marketing. The tools of influence marketing.*

The first rank of reflexion contributes to the understanding that in order to ensure the system success (and not a single act of sale), it is necessary to form and maintain relationships with clients with regard to the exchange. The following ranks of reflexion broaden the manager's understanding about the situation, clarify the control object and allow forming the tools most effective for the fulfillment of own interests.

*2. The control over the client's behavior.*

At this level target customers become the object of control. The understanding and/or formation of the clients' interests is a key factor of success.

*3. Classical marketing: marketing complex, positioning, functional marketing strategies.*

At this level of marketing development in an organization (with the manager of the third rank of reflexion) a complex system of interests and procedures of decision-making on the purchase, involving sellers (retailers, in particular), buyers and consumers, is considered as the control object. The success is ensured by creating conditions for comprehensive realization of the interests.

*4. Category management.*

This rank of reflexion provides for transition to managing the category as a whole, as well as the entire chain (from the primary production to the consumption of the final product).

Vertically-integrated circuits/holdings are formed, or one of the links takes control of the channel as a whole.

*5. Strategic marketing.*

On the one hand, the fifth rank of reflexion allows the marketing manager to take over the moderation of the adjustment of the internal stakeholders' interests through the formation of a strategic vision. On the other hand, and in terms of market relations the manager gets the opportunity to act consciously in the system with asymmetric information. The market as a whole becomes the control object.

*6. Strategic business management from the standpoint of the actual business owner.*

The sixth rank of reflexion brings manager to the position of the actual business owner due to the deep understanding of the market opportunities and the prospects formation for formal business owners. The control object is the business with the sum total of the stakeholders and the market, which become part of the business.

*7. Market management and formation.*

At the 7th rank of reflexion the manager becomes like a fantasy God. Such manager builds the new market through the formation of new needs and the creation of 'game rules' to satisfy them.

### **Application of the results**

Modern stage of entrepreneurship development brought to the forefront a special type of marketing companies, that often having no own production, distribution, or retail resources, take over the new markets formation and management. This applies not only to the global Internet companies (like Facebook, for example), or technological companies (Apple), but also to the local companies from various spheres of business, opening their own 'blue oceans'.

Thus, system-reflexive marketing not only represents the new paradigm of marketing, but also generalizes the stages of evolutionary marketing development and makes possible

(proves the possibility, forms the base) the coexistence of marketing of various evolutionary stages in one market, depending on the reflexion level of the subject of market activities.

System-reflexive marketing (SRM) is defined as the theory and practice of management, comprising the system distribution of the interests of subjects of market relations and their adjustment from the standpoint of the reflexive marketing manager controlling entrepreneurial activities. SRM assumes the identification of the strategic vision of the control object and the activities concentration on the corresponding transformation of the control object through the management subject recognizing its own strategic interests, intentions and actions of the counteragents of market relations, the creation of conditions for the fulfillment of their own interests and the interests of the counteragents by means of market exchange.

The rank of the system reflexion of the control subject determines the role of marketing (from the instrument in the technology of control to the proper management technology), as shown in the *table*.

Each next reflexion rank assumes not only promoting the knowledge system concerning stakeholders and the forces that are to be included in the activities (i.e., in fact, the control object expansion), but also improving knowledge about stakeholders, which are already included in the control object.

Thus, system-reflexive strategic marketing management provides for the following: 1) a subject of entrepreneurial activities is the manager (an individual); 2) the basis of management decisions formation is the manager's system reflexion, the highest rank of which allows the manager getting the actual ownership of the control object; 3) the marketing concept (the manager satisfies his/her own interests by means of adjusting and satisfying the interests of other stakeholders of

the control object) is regarded as the basis of management activities; 4) the flexible form of the organization's activities (business activities, in particular) as a joint activity of the subjects – stakeholders of the control object in total; 5) the extension of the control object, which includes counteragents (subjects of confrontational management and partners in relationships) whose interests, intentions, actions can be foreseen and managed.

System-reflexive management assumes the following: the manager is aware of his/her own interests; the awareness of own interest with regard to the control object, the identification of the control object, corresponding to the interest of the systemic-reflexive manager, the identification of counteragents in confrontational relations and interaction within the control object; system management of the counteragents' behavior concerning the reflexive position by transferring the necessary basis for decision-making to them.

Note, that the system-reflexive marketing not only generalizes the evolutionary stages of the marketing concept development, but also demonstrates the possibility of coexistence of different concepts with regard to the single object of control. In this case, the subject with the highest rank of the reflexion system (according to the table) becomes de-facto owner or manager of the control object.

### Conclusions

The new paradigm of marketing and strategic management is the system-reflexive marketing, which unites the stages of their evolutionary development. The formation of the strategic vision within system-reflexive marketing is important for the success of a business. In this case, the strategic vision is a way to adjust the interests of business stakeholders, concerning the directions of the company development in a strategic perspective.

It can be claimed with certainty, that the manager of a successful company has no doubts that it is he/she, who controls the situation in



System-reflexive marketing depending on the reflexion rank

Rank of system reflexion	0	1	2	3	4	5	6
Marketing paradigm (fundamental theory)	Sales	Relationship management	Control over the client's behavior	Classical marketing (marketing complex)	Category management	Strategic marketing	Strategic marketing management
Control object	Product sales	Relationship with the client concerning exchange	Clients' interests	Scope of relations and interests within the limits of sale and consumption of goods	Scope of relations and interests within the limits of production, sale and consumption of goods circuit	Scope of interests and market relations within the market	Business activities
Marketing functions at the enterprise	Sales (the absence of marketing function)	Sales promotion (in a commercial structure)	Trade marketing (in a commercial structure)	Marketing (separate function)	Marketing integrates commercial function	Marketing defines business strategy	Marketing is the technology of managing business
Domineering technology of influence on counterparts	Activation	Stimulation	Manipulation	Manipulation, confrontation (including 'marketing wars')	Adjustment of interests	Partnership	Reflexive management
Basic decisions of marketing strategy	-	The system of sales promotion	Solution to trade marketing (merchandising, etc.)	Market coverage strategy, positioning	Category policy	growth strategy, generic competitive strategy	Formation of the company's vision
Brands management	Commodity strategy	Trademarks management	trademarks management	Traditional brands management	Traditional brands management	Brand-leadership	Brand-management 360 degrees
Pricing policy	Cost-based pricing	Sales promotion (discount system)	Valued price formation	Valued price formation	Price formation oriented to demand and competitive strategies	Price formation oriented to demand and competitive strategies	Market pricing
Conformity of market environment globalization level in the process of objective market globalization analysis	Maximum (local base market and local market environment)	Maximum (local base market and local market environment)	Medium	Minimum (local base market and globalized market environment)	Minimum (local base market and globalized market environment)	Medium	Maximum (globalized base market and globalized market environment)
Role of internal marketing	The absence of internal marketing	Limited role	Secondary role	Internal positioning	Integrated marketing (integration of functions around market goals)	Corporate management culture	Orientation to the key internal stakeholders
Proactivity towards external environment	Reactive policy	Reactive policy	Policy of restricted proactivity (within the control object)	Policy of restricted proactivity (within the control object)	Proactive policy	Proactive policy	Environment management policy
Years of prevalence	1930s–1950s	1950s – 1960s	1960s – 1970s	1970s – 1990s	1980s – 2000s	1980s – 2000s	1990s – present

the business; at the same time the manager is clearly aware of the control object. The sign of the less successful companies is the presence of the participants in the business process, who can hardly comprehend the control object and prefer the reactive approach to management. System-reflexive marketing assists the management subject in realization of the control object and own interests, related to it. These conclusions are confirmed by the studies, described in the article.

Thus, the key factors of the company's success in modern conditions can be identified as following:

- transition from the reactive form of management to proactive one;

- recognition of the control object by the business managers.

Practical application of the system-reflexive marketing concept in business gives the company an opportunity to resolve effectively the whole range of internal and external conflicts; it increases the efficiency, facilitates the effective development of the corporate strategy and strategic vision. Hence, in the modern times, distinguished by constantly increasing degree of markets globalization, introduction of the system-reflexive marketing in the business management contributes to the development of entrepreneurship and the improvement of the enterprises competitiveness in the post-Soviet space.

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