SYSTEM REFLEXIVE PARADIGM OF STRATEGIC MARKETING

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Abstract- In response to accelerating globalization processes, increasing international competition, shortening lifecycles of products and services, fast development of new technologies—strategic marketing approach to market activity becomes one of the main conditions for successful strategic competitive perspective of the enterprise. This paper focuses on the System Reflexive Paradigm of Strategic Marketing Management, which is based on the alignment of strategic economic interests of stakeholders, specifically, enterprise owners, hired managers, and consumers. The study integrates the concepts of marketing, strategic management, and reflexion, where the latter is examined on the activity level (System Reflexion) of the subject of management. The combination of reflexive control insights with the marketing concept allowed for molding a concept of System Reflexive Marketing, which introduces the new marketing and strategic management paradigm, and consolidates its evolution stages of development. Implementation of the System Reflexive Marketing enables the enterprise to resolve internal and external conflicts, elaborate strategic vision and corporate strategy, and improves the overall efficiency of business activity.

Keywords- Strategic Management, Marketing, Strategic Marketing, Reflexive Management, System Reflexive Marketing.

I. INTRODUCTION

Marketing, as a foundation of market management, is widely implemented in the business operation of many enterprises. In response to accelerating globalization processes, increasing international competition, shortening lifecycles of products and services, fast development of new technologies—strategic marketing approach to market activity becomes one of the main conditions for successful strategic competitive perspective. Many enterprises consider effective strategic marketing to be the top-priority task.

Strategic management and strategic marketing are often treated as independent management systems. It is more common in the business operation that practical application of marketing concept is implemented by means of various marketing tools. Apart stands the internal marketing that is commonly considered a vehicle for delivering enterprise ideology to employees. Neither in strategic management nor in strategic marketing, the problem of alignment of economic interests of company's owners, managers and employees, as well as suppliers, customers, consumers and competitors has never been approached system-wide. This practically leads to escalation of conflict, and theoretically—to the lack of system-level handling of specific notions, such as “economic interest”, “alignment of interests”, and the roles that strategic marketing and strategic management play in the processes of interests alignment.

A conflict between enterprise owners and hired executives has become a topical issue recently. Owners stay uptight about retiring from the operations management due to substantial risks of losing their own business. Hired executives, in turn, are forced into attending the ever-changing ideas and moods of owners instead of building up effective strategies. This vicious cycle compromises the efficiency of business, which already had outgrown an entrepreneurial level, also impairs fund raising (through IPO and such) and undermines internal climate in the organization.

The business at a whole can be identified as a tool for meeting the interests of formal and actual owners. Let's separate these notions. Formal owner is a person whose ownership is certified by legal documents or any other agreements with legitimate owners. Actual owner, on the other side, is a person who uses the given business to realize their own interests.

Particular interests of the actual owner (or owners) are becoming the driving force of a business. However, actual owner can be, at the same time, a formal owner as well as a hired chief executive or any other person from internal or external environment of an organization (contact audiences).

The key characters (including formal owners, hired executives or others)—with specific interests that must be taken into account in the frame of developing the vision of an enterprise— will be referred to as Stakeholders. It is important to note, that stakeholders not necessarily pertain to the senior executives board of an enterprise. A stakeholder may represent any of the contact audiences, or appear to be the person to some extent associated with the business leader. Stakeholders may as well belong to customers or consumers. Specific interests of stakeholders correspondingly impact their actions, aimed at transforming the business.

The essence of the marketing concept of management lies within the realization of personal interest by means of contributing to the interests of the counter-agent in the exchange process. Most commonly, counter-agent is referred to as a consumer. Accepting the interests of a counterpart in the exchange process

is the key principle beyond the marketing concept. Current trends in the development of market management methods have lead to the fact that addressing the actual interests of consumers is no more a key driver for a company's growth, due to saturation of the most product markets. The new source for business development turns up to be the realization and generation of new demands (interests). Therewith, among the parties engaged in business development (besides the consumers), other internal and external stakeholders can be uncovered.
Consequently, arises the task of building up the new marketing management paradigm—centered on strategic marketing approach to alignment of economic interests of all the stakeholders of the subject of management (business).

II. THEORETICAL BACKGROUND

The issues of Strategic Management and Strategic Marketing have been extensively studied over the years in fundamental works of many scientists such as David A. Aaker [[1]], Igor H. Ansoff [[2]], Philip Kotler, Jean-Jacques Lambin, Peter Lorange, Henry Mintzberg [[3]], Michael E. Porter, Gary Hamel and C. K. Prahalad [[4]], Arthur A. Thompson Jr. and A. J. Strickland III, George A. Steiner, John B. Miner, Michael J. Stahl, David N. Grigsby, G. L. Bagievand H. Meffert [[5]], V. R. Vesnin [[6]], R. A. Fathutdinov [[7]], D. V. Rayko [[8]], A. A. Starostina, S. Y. Salyga [[9]]. The problem of Strategic Marketing has been widely studied from various aspects in international scientific periodicals in recent years. Macedonian experts G. L. Themistokles and K. Stamatios compare the relationship of globalization, consumer competitive behavior and marketing strategies [[10]]. The specialists from India I. Ashraf, M. N. Zadeh, L. R. Dubey deal with the use of marketing strategies in view of the globalization processes in the world [[11]]. The scientist from the Roskilde University (Denmark) J. Mattssonaexplores the value-oriented philosophy of Strategic Marketing in his work [[12]]. Famous marketing scientist Philip Kotler points out at the new limits of marketing paradigm in the third millennium [[13]]. At the same time, reflective aspects of strategic marketing, management and consumer research have not been studied with the same extent. Among the thematic papers, there are works of Dutch specialist J. Pridmorewho discusses reflective marketing in the context of consumer loyalty programs [[14]], and British researchers A. Beckett, N. Ajit and Sh. Bettany,H. Woodruffe-Burton, who study the consumer reflection [[15]] and the use of reflexive practices in marketing and consumer research [[16]]. There is interesting international work of co-authors N. Evers, S. Andersson and M. Hannibal, who explore marketing opportunities and stakeholders of international enterprises in Ireland, Sweden and Denmark [[17]]. Thus, the majority of authors recognize strategic marketing to be the foundational framework for modern enterprise management.

III. METHODS OF RESEARCH

We have conducted two researches covering Russia, Belarus, and Ukraine.
The first research included sampling of 387 enterprises of different types of ownership. It was carried out through 2007–2014. Among the main research questions: primary causes of market successes and failures (new businesses, launches of new products and brands, strengthening of current products and brands), definition of marketing role in the business activity.
The second research “The model of strategic management of business and marketing activities” involved 54 various enterprises (from Russia, Ukraine and Belarus) with focus on the following subject matters: observation of technologies of market activity and managerial decision-making processes, in the course of 2–4 years (continually during 2007–2014); analysis of operating efficiency; analysis of brand success; expert surveys of senior and operational internal management, as well as external experts and partners; customer surveys; modeling and empirical studies (particularly, through the adoption of System Reflexive Strategic Marketing Management).

IV. RESEARCH RESULTS

According to our reckoning, the majority of the marketing problems result from senior executives and owners' inadequate comprehension of the marketing essence and its role in the business management.
Let us summarize the problem of aligning the business interests of a specific group of persons. A business can be revealed, at the same time, as an object or as an instrument in a single or multiple management systems, which may draw on different management paradigms.
Simplified system: formal owner is the actual owner, all at once being the chief executive officer of the business. In this case, inner role conflict can be rather constructive, given the self-reflexive attitude of the owner. A conflict generally occurs between two or more interests that a person is guided by. For instance, promoting personal social status and, on the other hand, increasing operational revenue implies adopting different business strategies.

More complex system suggests that different people hold positions of formal owner and chief general manager (managing or executive director, CEO, president—the title not necessarily reflects the matter). Whereby the position of actual owner is

taken up by a person with superior rank of reflexive attitude and the most comprehensive view of business and its environment. Realization of interests of such a person becomes a key priority of the enterprise. A conflict of gaining the actual ownership of the business may arise inside the group of formal owners and hired executives.

Alternatively, stakeholders of a business may represent consumer group (where the classic concept of marketing management is implemented), as well as competitors, suppliers, contact audiences, etc.

It is to be noted, that interests of stakeholders are getting globalized in the course of market environment globalization. This indicates the following. In the process of interests alignment it is essential to bear in mind the potential distortion of geographical coverage of different stakeholders' interests. New stakeholders from other market geographies may occur, asserting their own interests towards the object of management, on the primary market. Interests of specific stakeholders may concern only some of the local strands of the global business (thus the minor subject of management shall be regarded).

One of the most coherent models from the perspective of aligning the stakeholders' interests proves to be the Reflexive Control concept.

American management theorist T. L. Thomas defines Reflexive Control as a method of communicating the purposely designed information to a party, or a rival, with intent to bias them and adopt a "voluntary" decision for the benefit of the initiator. This theory was introduced in the 60s Russia; however it is still being developed [[17]].

Vladimir A. Lefebvre—the author of Reflexive Control theory—draws the following definition: Reflexive management is a special method of influencing a rival for the purpose of making a decision, beneficial to the starter [[18]]. According to V. A. Lefebvre, the essence of reflexive control involves exploiting the capabilities of a subject to "voluntary design the images of self and others".

System Reflexive Management involves the following:

1. Comprehension of personal interests by the subject of management.
2. Comprehension (determination, actualization) of personal interest towards the management object.
3. Definition of the management object—respective to the interest of System Reflexive manager.
4.Identification of counter-agents in terms of confrontational relationship, and interaction in the frame of management object.
5. Management of counter-agents' behavior by means of delegating them the authority to make decisions.
6. Recognition and elaboration of counter-agents' interests.
7. Creating conditions for realization of interests of all parties by means of committing the exchange.

In reliance on the research data, we have found a direct correlation of the success of business activity and the rank of System Reflexionof a manager.

We have identified methodological background, system of methods and tools—aimed at implementing the System Reflexive Marketing as guidance for strategic management of business activity.

It was determined, that the actual owner of the management object—the person who determines the direction and transformation of the object—is a stakeholder with superior rank of reflexive attitude, more specifically, the one who has got systematic and clear vision of the management object, its stakeholders and their interests, also the environment (the principle of system reflexion).

The actual owner of the management object realizes personal interest by means of aligning it with the interests of stakeholders (the principle of marketing). The actual owner engages stakeholders into the extended object of management.

System Reflexive Marketing is defined as a theory and practice of management, carried out through the system-level distribution of economic agents' interests, and the alignment of their interests from the perspective of reflexive marketing manager.

System Reflexive Marketing defines the strategic vision of the management object and strengthens the activities on transforming the object, by means of realization of personal strategic interests (as a subject of management) together with intentions and actions of market counter-agents, and through creation of conditions for realizing the personal interests as well as interests of market counter-agents.

System Reflexion Rank of a subject of management defines the role of marketing (from a tool in the management technology to the technology itself).

System Reflexion Rank implies certain level of realization of management object, coverage in the process of situation analysis, and elaboration of managerial decisions by the affluent economic agents, specific to their interests. System Reflexive Marketing covers different levels of marketing decision-making process, due to the rank of reflexion. With zero reflexion rank, commercial activity consists in spontaneous exchange operations. With the clear awareness of personal interest, marketer starts to bias the customer—which cannot be considered as a marketing approach.

Marketing begins when the manager takes up reflexive position towards oneself and a customer.

1. Relationship marketing. Tools of influence marketing.The 1st rank of reflexion implicates the fact that to reach steady success it takes to build and

maintain customer relations with regard to exchange process. The following reflexion ranks further enhance manager's awareness about the situation, define the management object and allow for implementing more efficient tools of realization of personal interest.

2. Customer behaviour management.Demand generation, sales promotion. This level considers target customers as the management object. Comprehension and/or building customers' interests here is the key factor to success.

3. Classic marketing. Marketing mix, positioning, functional marketing strategies.This level of marketing advance of an enterprise (with 3rd rank of manager's reflexion) in capacity of management object considers complex system of interests and procedures for purchase decision-making, involving sellers (particularly retail), buyers and consumers. The success is achieved through conditioning of complex realization of interests.

4. Category management. This reflexion rank intends transition to management of particular category and a whole chain—from primary production to consuming of an end product. Vertically integrated channels/holdings are being formed, or one of the links undertakes the management of a whole channel.

5. Strategic marketing.Alignment of internal stakeholders' interests via defining the strategic vision. On the one hand, 5th rank of reflexion allows marketing manager to supervise the process of interests' alignment by shaping the strategic vision. On the other hand, the manager gains the opportunity to act consciously in a system of asymmetrical information. The market at a whole becomes a management object.

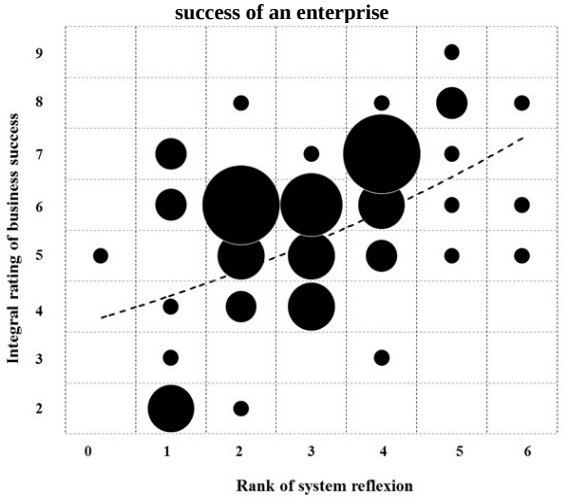
6. Strategic business management.The 6th rank of reflexion takes the manager into a position of actual business owner due to thorough understanding of market opportunities and creating prospects for the formal business owners. The management object turns into a business, including collective stakeholders and the market—altogether being a part of the business.

7. Market formation and management.The market is considered as an object to management. 7th rank of reflexion turns a manager into the creator of new markets (so-termed "Blue Oceans", [[20]]). This kind of manager is enabled to build a new market through forming new needs and creating rules for meeting them.

Modern phase of entrepreneurship development brings to the forefront a special type of marketing companies, which all too often don'tposses neither production nor distribution or retail resources, and along with this take over forming and managing of new markets. This applies not only to global Web-focused companies (such as Facebook) or hi-tech companies (Apple), but also to local companies representing wide range of business fields and engaged in discovering their own "Blue Oceans".

Correlation of success of business activity and the rank of manager's System Reflexion—based on the results of our study—is illustrated in Figure 1.

Figure1: Association of manager's rank of reflexion and success of an enterprise



The diameter of the circle on the diagram corresponds to the share of enterprises being studied, with the specified parameters. Horizontal axis represents the rank of manager's System Reflexion, while vertical—corresponds to integral rating of business activity success. Corresponding trend line was drawn to illustrate the growth of success in relation to the advance of manager's rank of reflexion.

To determine the association of these two parameters, Cramer's V coefficient was calculated (V=0.43). This indicates medium association of success of business activity and the rank of System Reflexion of the manager; and corresponds to one of the largest rating of association among the parameters studied.

Hence, System Reflexive Strategic Marketing Management outlines the following: (1) Subject of business activity is referred to as a manager (person); (2) The basis for making managerial decisions turns into System Reflexionof a manager, where the highest rank enables the manager to gain the actual ownership of the management object; (3) The concept of marketing (meeting the personal interests of a manager by means of aligning and meeting the interests of other stakeholders of the management object) shall be regarded as the foundation of managerial activity; (4) Flexible form of activity arrangement (particularly, business activity) implies collaborative effort of group of subjects—stakeholders of the management object; (5) Expansion of the management object, covering counter-agents (i.e. subjects of confrontational management; partners involved) with regard to their interests, intentions and actions being considered and governed as well.

DISCUSSION

System Reflexive Management assumes: realization of personal interests by the manager; realization of personal interest towards the management object, definition of the object—respective to the interest of System Reflexive manager; identification of counter-agents in terms of confrontational relationship, and interaction in the frame of management object; system management of counter-agents' behavior under reflexive position—by means of delegating the authority to make decisions.

It should be noted that System Reflexive Marketing not only consolidates the evolution stages of marketing development, but also enables the feasibility for different concepts to coexist in the frame of single object management. In such instance, the actual owner, or a manager of the management object, becomes the subject—possessive of the highest rank of System Reflexion.

CONCLUSIONS

The study integrates the concepts of marketing, strategic management, and reflexion, where the latter is examined not on the act/action level, but on the activity level (System Reflexion) of the subject of management.

System Reflexive Marketing—is a special approach to management, built upon the following key principles:

1. The actual owner of the object of management—the person who determines the direction and transformation of the object—is a stakeholder with superior rank of reflexive attitude, i.e. the one who has got systematic and clear vision of the management object, its stakeholders and their interests, also the environment (the principle of System Reflexion).
2. The actual owner of management object realizes their interest by means of aligning it with the interests of stakeholders (the principle of Marketing). The actual owner engages stakeholders into the object of management.

System Reflexive Marketing introduces the new marketing and strategic management paradigm, and consolidates its evolution stages of development. Adopting the System Reflexive Marketing enables the enterprise to resolve internal and external conflicts, elaborate strategic vision—together with corporate strategy, facilitates realization of interests by the subjects of management towards the management object, as well as improves the overall efficiency of business operation.

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