CHARACTERISTICS OF THE DEVELOPMENT OF STRATEGIC MANAGEMENT IN THE ACTIVITIES OF SECOND TIER BANKS IN KAZAKHSTAN

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Abstract

This article examines the characteristics of strategic management development typical for the activities of second-tier banks in the Republic of Kazakhstan. It highlights certain management mechanisms of commercial banks, which are adapted to the current realities of the country's economic development. The study also explores the impact of external factors on banking activities.

Keywords: strategic management, management mechanism, banking activity, commercial bank, financial service.

Strategic management is an integral part of the overall organizational management system. The strategic management cycle has a long-term period and includes several cycles of operational and current management, ensuring the continuity of the strategy implementation process. Creating an effective management mechanism is, along with strategy development, the most important result of strategic management.

Strategies and management mechanisms condition each other: management mechanisms are adapted to the newly formed strategy, and if this is not possible, the strategy is adapted to the real management mechanism.

The core of modern strategic management becomes the organization's strategy, or more precisely, a system of strategies that includes a set of interconnected specific marketing, entrepreneurial, and functional strategies. A correctly chosen strategy is the first and most important result and an effective mechanism of strategic management, as it directs and mobilizes the use of the organization's full potential in specific directions, ensuring success.

Overall, strategic management is tasked with fundamentally determining the qualitative state a particular organization should be in from a strategic perspective; the principal position the organization should occupy in the corresponding market; how to qualitatively change the organization’s market niches in all areas of activity, and so on.

Ultimately, all the work of strategic management may boil down to fully justifying the strategic competitive advantage that is desirable for a specific organization in a given perspective, as well as setting corresponding strategic goals to achieve it.

Strategic management in a commercial bank is a managerial process of defining and achieving the bank's long-term goals, considering its available resources and opportunities while complying with legal requirements [1].

The strategy should consider the external conditions of banking activity and define the result the bank aims to achieve. It can be said that the strategy is a part of the overall system, an element, a factor of success in banking activity.

When defining the role and place of strategic management in the management system of a commercial bank, it is important to note that within the financial management block, strategic management serves as the main subsystem and performs the primary and foremost function of banking management [2, p. 117].

Alongside the strategic orientation of a bank, which determines the success of banking activities, the quality and qualification of management and its marketing activity should be highlighted. Western banks have been able to make a qualitative leap in their development, primarily thanks to well-established marketing and management. A focus on modern management methods, technology, and the bank's extensive connections with external structures can undoubtedly give a powerful impetus for the development of our banks as well.

The strategy of a commercial bank is inconceivable without addressing the banking staff. The bank manager is not merely a bureaucratic position; he is a banker in the truest sense of the word, a professional with commercial and analytical skills. When people speak of a good bank, they primarily refer to a bank with highly qualified staff. This is no coincidence. In a modern bank (of course, with a sufficiently developed network of credit institutions), clients come not just to obtain a financial service, but to seek advice on how best to organize their business. Naturally, to ensure such quality of service, a strong team capable of maintaining its high professional reputation must be formed in the bank [3, p. 26].

These are the strategic factors that ensure the success of banking activities. In addition to these, there are other factors, which could be called operational.

Success can only be achieved when the bank's policy is oriented towards certain values that inevitably lead to the desired outcome. Among the operational factors leading to success, one should highlight a commercial bank's orientation towards the client. The client is always right; this is not just a slogan, but a genuine philosophy of the bank's behavior, aimed at generating income. In our conditions, this is not so simple. For a long time, the economy was dictated by the bank, not vice versa. Nonetheless, where a bank manages to "overcome" itself and finally take the only correct path, success is inevitable.

Emphasizing the comprehensive development of trustful and partnership relations with the client should coexist practically with the philosophy of motivation and sales of the banking product, and a market orientation responsive to its changing needs [4, p. 5].

A crucial operational factor in the success of banking activities is the cost strategy, focusing on labor cost savings and reducing the cost of banking services. Unfortunately, our banks have lost the sense of economizing their own expenses, and concepts such as the cost of credit in rubles have disappeared, without which effective policy cannot exist. Surviving in a tough competitive battle and achieving substantial income is only possible based on economizing, prudent resource management, and accelerating the turnover of funds. Consequently, banks need not only to overcome themselves but also to create a mechanism that would ensure the economization of incurred costs and the reduction of the cost of the banking product [5, p. 45].

The following factors can be highlighted as ensuring the success of a commercial bank:

· Creation of comprehensive information systems;

· Collaboration with foreign banks;

· Diversification of banking risk (across industries, ownership forms, and types of services);

· Organization of internal bank audits;

· Transition to new banking service technology.

The strategic plan of a bank can be difficult to define in terms of the type of information included in it. The content varies among different banks. However, regardless, a strategic plan should include the following components:

A) The bank's mission is determined at the very first stage of conducting marketing activities and serves as the starting point in strategic planning. It establishes what the bank aspires to and touches upon the level of organizational units, outlining their scope of activities.

The mission of the bank, or its primary task, is a clearly formulated reason for its existence. Based on the organization's main task, a whole hierarchical ladder of the bank's tasks is constructed. The mission is formulated at various organizational levels of the bank, but there is always a clear subordination of the tasks of structural units to the general task of the organization. The overall bank mission should describe the direction of the organization's activities in terms of the services it provides and the consumer groups it serves.

Some organizations and enterprises may achieve a certain level of success without expending much effort on formal planning. Moreover, strategic planning in itself does not guarantee success. Nevertheless, formal planning can create a number of important and often substantial favorable factors for an organization.

Analyzing the external environment helps to control external factors relative to the firm, achieve significant results (time to develop an early warning system in case of potential threats, time to forecast opportunities, time to devise a contingency plan, and time to develop strategies). For this, it is necessary to determine where the organization is currently, where it should be in the future, and what the management needs to do to get there. The threats and opportunities that a bank faces can be categorized into seven areas:

a) Economic factors play a crucial role in shaping a bank's strategic direction, as the state of the economy influences the bank's objectives. Factors such as inflation rates, international balance of payments, and employment levels must be constantly monitored and assessed, as each can represent either a threat or a new opportunity for the enterprise.

b) Political factors also significantly affect business operations. Active participation of entrepreneurial firms in the political process highlights the importance of state policies for the organization. Thus, it is essential for firms to keep track of regulatory documents from local bodies, state authorities, and the federal government, which can directly impact their operations.

c) Market factors present ongoing risks for banks. Factors influencing organizational success or failure include the income distribution of the population, the level of industry competition, changing demographic conditions, and the ease of market penetration.

d) Technological factors are increasingly critical, with changes in manufacturing technology, the use of computers in design and service delivery, and advancements in communications technology. Bank leaders must ensure that their organizations are not caught off guard by future technological disruptions that could undermine their operations.

e) Competition factors require any organization to carefully examine the actions of its competitors. This includes analyzing competitors' future goals, assessing their current strategies, reviewing assumptions about the competitors and the industry in which these companies operate, and thoroughly studying competitors' strengths and weaknesses.

f) Social behavior factors involve changing relationships, expectations, and mores of society, such as the role of entrepreneurship, the role of women and minorities in society, and consumer protection movements.

g) International factors are particularly important for banks operating in the global market. Leadership must continually evaluate and monitor changes in this broad environment, adapting strategies to address global challenges and opportunities.

Conducting a realistic analysis of the strategic planning practices of Kazakhstani commercial banks is extremely difficult, as such planning is only beginning to be implemented. At the same time, strategic approaches in the development of the banking sector of our economy have recently begun to undergo significant changes. Alongside the expansion that underlies the development strategy of regional Kazakhstani banks, an orientation is also being employed by large Kazakhstani banks towards strengthening positions by addressing internal issues. This includes changes in the credit portfolio, transformation of organizational structures in line with new tasks, and disengagement from clients that do not fit the new strategy of the bank.

Thus, the role of strategic planning in the banking activities of Kazakhstan lies in ensuring effective and sustainable economic development of the bank under modern conditions.

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