Financial University under the Government of the Russian Federation

Department of Management and Innovations

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STARTEGIC MANAGEMENT

**SYLLABUS**

***Level of Study:*** *Bachelor’s Degree*

***Field of Study:*** *38.03.01 Economics*

***Study Program:*** *International Finance (taught in English)*

**1. Name of a subject Strategic Management**

**2. Mapping of learning outcomes (list of competences), with the relevant indicators described and subject learning outcomes indicated**

 Table 1

|  |  |  |  |
| --- | --- | --- | --- |
| Competence code | Competence  | Competence development indicators[[1]](#footnote-1) | Learning outcomes (skills[[2]](#footnote-2), and knowledge) and indicators that show competence development  |
| СK 3 | Ability to set up research goals and objectives and find the relevant methods for achieving these goals and objectives |  | To know methodological approaches for setting research goals and objectivesTo be able to carry out the process of research goals and objectives development;To have attitudes towards finding out the most effective method to achieve research goals and objectives. |
| CLK 3 | Ability to find out and justify the managerial decisions and readiness to take the responsibility for these decisions  |  | To know the possibilities for personal growth and professional development provided by the Financial University; structure of the Financial University website and educational portal, main information systems;To be able to independently acquire and apply new knowledge; analyze and systematize the information; develop individual learning trajectory in accordance with existing curriculum and regulations; think critically; acquire new knowledge requied for professional development;To have attitudes towards information analysis, computer literacy. |

**3. Place of the subject in the curriculum**

*The section describes what place is occupied by the subject in the program curriculum.*

 Strategic management is an elective course of the Bachelor of Science in Economics Program (code 38.04.01), study program “International Finance” (taught in English).

**4. Workload in credits and academic hours, with class work (lectures and seminars) and self-study indicated**

The data are presented in the form of a table.

Table 2

|  |  |  |
| --- | --- | --- |
| **Type of work**  | **Total** **(academic hours)**  | **Semester 8****(academic hours)** |
| **Overall workload**  |  108(3 ECTS)  | 108(3 ECTS) |
| ***Class work***  | 36 | 36 |
| *Lectures*  | 12 | 12 |
| *Seminars, practicals*  | 24 | 24 |
| ***Self study***  | 72 | 72 |
| Formative assessment  | creative assignment  | creative assignment |
| Summative assessment  | pass/fail exam | pass/fail exam |

**5. Subject content (with the thematic components indicated).** *This subsection lists the academic subject itemized thematic content**in the form of a text. The text volume should not exceed 3 pages.*

**1. Strategy and strategic management**

Strategy: definition, terminology. Role of strategy in socio-economic systems management. Strategic planning. Strategic decisions. Mintzberg 5P of strategy. Business organization philosophy.

Competitive advantage and company business model. Strategic approaches for sustainable competitive advantage.

Strategy making and executing process: main stages. Company’s strategy making hierarchy.

Strategic decisions: essence and peculiarities. Type of strategic decisions: entrepreneurial, adaptive. Authority distribution in strategic decision making. Strategy diversity for different types of organizations.

**2. Vision, mission and strategic objectives**

Vision, mission and values of commercial organization. Essence of strategic vision. Developing a company’s mission statement. Linking the vision, mission and values with the stakeholders’ interests. Strategy and corporate culture.

Methodological basis for strategic objectives formulation. SMART principle. Strategic mapping.

**3. Corporate and competitive strategies**

Strategic business unit definition. Operating strategies. Business strategies. Corporate strategies. Strategy typology.

Competitive strategies: types and peculiarities. M. Porter approach. A. Yudanov approach.

Generic competitive strategies: low-cost leadership, broad differentiation, focused low-cost strategy, focused differentiation strategy, best-cost provider strategy. Company’s store of competitiveness. Product strategy and life cycle stages.

Sources of strategic advantages: key competencies and unique resources. Resource-based concept of strategic management. Core competencies, key competencies and unique competencies of organization. Sustainable competitive advantage. Dynamic capabilities.

**4. Strategic analysis of external environment**

Strategic analysis of company’s external environment: goals and objectives. Strategic information system of organization. Influence of macroenvironmental factors on various organizations.

Strategic analysis of macroenvironmental. Method of PEST analysis: political, economical, sociocultural, technological factors of external environment. Changing role of ecological and legal factors, PESTEL analysis. Industry and market within the strategic analysis, Competitive forces. Porter’s 5 Forces Model. Industry driving forces and outlook for profitability. Strategic customers definition. Evaluation of key success factors in the industry. Strategic group analysis and Strategic group mapping.

Corporate environment. Types of competitive practices. Assessing of company’s competitive position. Mapping of rivals’ strategic groups.

Network economy as competitive force in the industry.

**5. Strategic analysis of internal environment**

Internal environment analysis: goal, objectives and methods. Company’s capabilities and competitiveness. Competitiveness factors: size effect, scope effect and learning effect.

Company’s resources and capabilities. VRIO test for key resources analysis. Core and distinctive competencies of company: essence and methods of identification.

SWOT analysis: strengths, weaknesses, opportunities and threats. Gap Analysis. Sustainable competitive advantages. SNW Analysis.

Concept of company value chain. M.Porter concept of costs and adding value. Value chain as an instrument of gaining competitive advantage.

**6. Portfolio analysis and diversified company**

Theoretical background of portfolio analysis. Portfolio analysis objectives in diversified company.

Essence, methods of portfolio analysis. Classification of portfolio analysis models. BCG Matrix, GE/McKinsey Matrix, ADL/LC Matrix.

Investment attractiveness of business units: portfolio analysis based assessment

**7. Strategic choice. Crafting Strategy**

Strategic choice: criteria of assessment and selection. Ansoff Matrix. Thompson-Strickland Model.

Principles and methodology for crafting strategy. Generic strategies and their correspondence to strategic vision, mission, strategic objectives, internal and environment analysis.

Corporate, business, functional and operating strategies alignment.

**8. Strategy Executing**

Executing strategy: main stages and areas of change. Policies and procedures that facilitate strategy execution.

Matching strategic objectives with obtained results. Approaches towards strategic and operational management integration. Total quality management and Six sigma approach: tools for promoting operating excellence.

 Assessment of strategic objectives accomplishment. of strategic goals. Indicators as strategic objectives achievement. The concepts of Balanced Scorecard (BSC), Key Performance Indicators (KPI), Management by Objectives (MBO).

Strategic changes. McKinsey 7S Model. Weisbord's Six-Box Model.

Aligning the company’s organizational structure with its strategy. Strategic control.

Managing of strategic changes. Individual and group resistance to change: human factors, causes and intensity of resistance, change management.

**9. Contemporary concepts of strategic management**

New paradigm of strategic management theory. Evolution of strategic management concepts. Alfred Chandler concept of strategy and structure. Harvard Business School concepts. School of planning and its modern assessment. Development of consulting firms. Non-economic (organizational) concepts of firms' strategies.

Resource-based concept. Traditional and dynamic views of the resource-based concept: a comparative analysis.

Algorithms of crafting strategy from diverse strategic management schools’ point of view.

The network concept of strategic management: advantages and limitations

 **6. List of teaching and methodological materials needed for the students self-study**

**6.1. List of questions for student self-study and types of out-of-class activities**

*The section lists types of out-of-class activities that correspond to items in the subject content description.*

*There is a list of questions the students should answer while working independently.*

Table 3

|  |  |  |
| --- | --- | --- |
| **Itemized subject content**  | **Questions the students should answer within the self-study process**  | **Types of out-of-class activities**  |
| Theme 1. Strategy and strategic management  | 1. Strategic management and strategic marketing interconnection
2. Strategic management effectiveness analysis
3. Aspects of strategic management in non-profit organizations
4. Strategic early warning system
5. Management in uncertain environment
 | * Study of lecture materials
* Work with library sources
* Informational search in the Internet
 |
| Theme 2. Vision, mission and strategic objectives  | 1. Main concepts of strategic management
* K. Andrews
* I. Ansoff
* M. Porter
* J. Schumpeter
* K. Weick
* H. Mintzberg
1. Hannan & Freeman's Theory of Organizational1 Effectiveness
 | * Study of lecture materials
* Work with library sources
* Informational search in the Internet
 |
| Theme 3. Corporate and competitive strategies | 1. SMART strategic objectives examples
2. Examples of goal tree
3. Management by objectives by P. Drucker
4. Influence of stakeholders of organizations
5. Mission and vision statements examples for national and foreign organizations
 | * Study of lecture materials
* Work with library sources
* Informational search in the Internet
 |
| Theme 4. Strategic analysis of external environment  | 1. Examples of PESTEL factors influence
2. Examples of factors influencing the competition level in the industry
3. Examples of market entry and exit barriers
4. Examples of Porter 5 forces framework
5. Examples of key success factors for different industries
 | * Study of lecture materials
* Work with library sources
* Informational search in the Internet
 |
| Theme 5. Strategic analysis of internal environment  | 1. Strengths and weaknesses analysis of specific organization
2. Core competencies theory G. Hamel and C.K. Prahalad
3. M. Porter value chain management concept: examples
4. Sources of competitive advantage: examples
5. SNW analysis: pros and cons
 | * Study of lecture materials
* Work with library sources
* Informational search in the Internet
* Preparation for formative assessment
 |
| Theme 6. Portfolio analysis and diversified company | 1. Organizational aspects of strategic alternatives development
2. Scenario planning: key aspects
3. Foresight as an instrument of strategic planning
4. Dynamic SWOT analysis
5. Risk analysis as a part of strategic planning
 | * Study of lecture materials
* Work with library sources
* Informational search in the Internet
 |
| Theme 7. Strategic choice. Crafting Strategy | 1. Strategic possibilities on diverse stages of the industry life cycle
2. Strategies for the growth stage of the industry life cycle
3. Strategies for the maturity stage of the industry life cycle
4. Strategies for the decline stage of the industry life cycle
5. Offensive and defensive startegies
6. Strategic alliances: advantages and risks
 | * Study of lecture materials
* Work with library sources
* Informational search in the Internet
 |
| Theme 8. Strategy Executing | 1. Strategic controlling: main characteristics
2. Key performance indicators: examples
3. Total quality management and business effectiveness management
4. Strategic and operational management integration instruments
5. ERP systems in strategic management
 | * Study of lecture materials
* Work with library sources
* Informational search in the Internet
 |
| Theme 9. Contemporary concepts of strategic management  | 1. Personnel motivation within the strategy execution
2. Startegic changes in organization in accordance with the McKinsey 7S model
3. Examples of resistance to change in organizations
4. Planning of strategy execution in organizations
5. R. Beckhard and D. Gleicher formulas of change
 | * Study of lecture materials
* Work with library sources
* Informational search in the Internet
* Preparation for summative assessment
 |

**6.2. List of assignments for students’ preparation to formative assessment**

The section may include the following:

Examples of tests used to check students' knowledge

1. Which of the following factors does not determine the company’s supplier’s competitive strength?

1) The supplier’s level of specialization

2) The supplier's focus on operations with specific customers

3) Inflation rates and tax rates

4) All of the above factors

2. Which of the following factors can be attributed to political trends?

1) Better trained people

2) Introduction of tariffs and patents

3) Inflation, recession

4) Better automation of labor

5) Increased number of minorities

3. A company that achieves economies of scale through sales rate growth, applies a wholesale purchases policy is using the strategy of:

1) Cost efficiency

2) Diversification

3) Focused strategy

4) Differentiation

4. Dormash company strictly monitors the material cost and follows the strategy of:

1) Cost efficiency

2) Diversification

3) Focused strategy

4) Differentiation

5. Which of the following factors does not allow the company to have a competitive advantage through differentiation?

1) Good design

2) Innovative practices that leave the competitors behind

3) High quality

4) High efficiency

5) Excellent after-sales service and maintenance services

6. What strategy is the most attractive one for a company that can no longer develop in one of the markets, offering this product within this sector?

1) Concentrated growth

2) Concentrated growth

3) Integrated growth

4) Diversifification

5) Reduction

6) Elimination

Topics for original home assignment:

1. Portfolio analysis of a diversified company

2. Company's strategy development

3. Differences between strategic management and operational management

4. The case study method and company’s strategy development and implementation

5. The role of the company's image in business valuation

**Examples of cases**

**The Smeshariki program case**

**The business idea and creative concept**

Business idea and the project’s creative concept. FAN Game small St. Petersburg company team members engaged in the games and graphics solutions production did not embrace the animated cartoon production idea from the very beginning. According to I. Popov, Director-General of the Marmelad Media company, the project was based on an entrepreneurial initiative and the aspiration to become engaged in some large project on a large scale. They wanted and still want to be engaged in a project that they could be proud of, to put it bluntly, a project that not only Director-General could be proud of and not only on the national scale. [Khozikov, 2007, p. 38].

The Petersburg businessman shared his ideas with Anatoly Prokhorov, a well-known Russian animated cartoons producer, one of the Pilot Studio and Pilot-TV company founders. He produced such famous Russian animated cartoons as Sledstvie Vedut Kolobki, Bratya Piloty, Cherdachok Bratyev Pilotov and Tushite Svet TV show. It took about two years to develop the creative idea behind the project, its promotion strategy, the traits and the image of the cartoon characters [Birger, 2006, p. 17].

Petersburg studio was established in 2003 when the first few Smeshariki episodes were produced. Each episode was 6 min. 30 second long, if we do not count the caption, it will be 6 min. 10 sec. The target audience was the 4 to 9 years-olds. Smeshariki are stylized round animals. The brand name was invented to combine the two Russian words meaning funny and balls. It is impossible to mix it with other brand names. Each of the ten characters has its own traits of character and interests. It reflects a specific area of a child’s knowledge and interests. There are no negative characters among them. Each of them lives in a ‘world devoid of violence’. The plot is based on describing unexpected situations that Smeshariki find themselves in and that a child might find himself in in his daily life. According to the authors, the ball-like characters enhanced the impression of their good-naturedness, and children could easily draw their favorite characters.

Petersburg computer animation studio was the first studio in Russia where the whole animated cartoon production process was digital format-based. The authors have used flash technology which is usually used in web projects to produce a ‘full-length’ animated cartoon for the first time in Russia. The technology improvement made it possible to produce high-quality cartoons quickly. It took a year or a year and a half to produce each episode of Nu Pogodi, and the studio experts were able to produce up to 30 minutes of cartoons per month. Moreover, they managed to cut costs dramatically, and not to make quality deteriorate at the same time. While the average cartoon per minute production cost was 12-13 thousand US dollars, in the Smeshariki case, it was 8 thousand US dollars [Levinsky, 2007, p. 18].

According to I. Popov, from the very beginning, the project was considered to be an exclusively commercial initiative, they were not interested in doing something in the art-house film niche, they did not focus on the future film festivals’ requirements. The idea was to create a product that can be sold, that was aimed at meeting the end users’ requirements. In their case, the end users were children. They knew this audience pretty well. Moreover, the animated cartoon production sector aimed at catering children's needs was virtually non-existent then. [Birger, 2006, p. 17].

Creating a character exclusively for the purposes of promoting products is a well-known marketing strategy used by companies. This strategy was used, for example, by Sanrio, a Japanese company, that created the Hello Kitty brand. Nobody has ever implemented such a project before in Russia. According to the market participants’ estimates, the sales of the key finished product, an animated cartoon for children, do not allow the authors to obtain a stable income that ensures the project profitability in Russia. In particular, the legal ban on advertising in programs meant for children destroys one of the main sources of income on TV. According to I. Popov, to their regret, they have to consider television not as a business platform, but rather as a promotional platform. [Birger, 2006, p. 17]. The authors do not regain even half of the costs when getting about USD 150 per minute for the 6.5-minute cartoon broadcasting rights. [Levinsky, 2007, p.17].

The project authors thought it would be more appropriate to use the brands of the animated cartoon characters to sell a variety of goods and services, primarily, goods for children. According to A. Prokhorov, Smeshariki managers are building a full-cycle brand production industry. He says they know how to come up with a media brand, make branded audio and visual products and offer them to TV producers, and then build a connection with the product brand and build relationships with the retail sector. [Levinsky, 2007, p. 18]. The project authors want to create the ‘new characters for a new Russia’. I. Popov says they wanted to create new characters for the children to see throughout Russia. At the same time, he wanted the project to be a unique one, with no literary basis. He also wanted the concept of ‘a world devoid of violence’ to be expressed not through the struggle of good and evil, but through the peaceful, but not trouble-free life of the characters.

In this sense, Winnie the Poor is the project that is ideologically close to their project. Their project and Sesame Street, another wonderful international project, have a lot in common. [Khozikov, 2007, p. 38-39]. They produced the equivalent of 30 min. of screen time per month. In addition, they managed to cut costs dramatically, and not to make quality deteriorate. While the average cartoon per minute production cost was 12-13 thousand US dollars, in the Smeshariki case, it was 8 thousand US dollars [Levinsky, 2007, p. 18].

**The first success stories.**

When the first three episodes of the animated cartoon were shown to the RTR TV channel editors in charge of producing programs for children, Smeshariki were immediately included into the list of cartoons shown in Spokoinoi Nochi Malyshi, the most popular Russian television program for children. TV channels quickly responded to the popularity with the viewers. Smeshariki has been constantly on the list of cartoons shown in Spokoinoi Nochi Malyshi since April 2004, and STS TV channel has been including it into the list of its programs since September 2004. According to COMCON research company, in a year after the release of the first cartoon titled Skameika, Smeshariki occupied the 32nd place on the list of the most recognized characters, and they occupied the 7th place by the end of 2006. Only Winnie the Pooh occupied a better place on the ranking of characters. By 2007, 65% of the 4-15 year-old Moscow children knew about Smeshariki, and 4 to 6 years-olds were the core of the target audience of Smeshariki branded products [Levinsky, 2007, p. 18]. The company's products were in constant demand at some Internet portals. In the summer of 2006, at the time of introduction of Rambler Games, Smeshariki-themed games titled Kollektsioner and Puzyriki, were the most popular ones. People watched the animated cartoons posted on Rambler Vision more than 400 times [Brand for rent, 2007]. Not only children, but also their parents were interested in the project. According to the company representatives, family members of the target audience were quite interested. When STS showed Smeshariki during the autumn holidays of the previous year at 2.00 PM, they were amazed as a large share of the audience (up to 25% on average) were 4 to 45 years old females. As for the male viewers, 4 to 45 year-olds were interested. Only 17 to 25 year-olds were not much interested. These people are usually called the MTV generation. It is worth mentioning that the males of 25 years of age and older who have children, became interested (with an average share of 13%). As for the category of viewers of 45 years of age and older, they could see a sharp decline. That is, the company has occupied a very important family niche, as far as marketing is concerned. Today the company can call Smeshariki not just a children's cartoon, but a cartoon for all the family members [Birger, 2006, p. 18].

**The winners who do not show off.**

All over the world, the licensed projects bring the cartoon copyright owners a profit that might exceed dozens of times the income from distribution. The cost of production of an episode of the cartoon is 100 thousand dollars, the income from distribution is only 10 thousand dollars. The rest of expenses is covered by the sales of licenses [Kulikov, 2006, p. 30]. According to Forbes journal, as early as in 2004, ten most popular cartoon characters earned about USD 25 billion. Their earnings grow every year [Kalyukov, 2007]. The characters of cartoons where Mickey Mouse appeared earned USD 5.8 billion a year, and the characters of cartoons about Winnie the Pooh, USD 5.6 billion. [Kalyukov, 2007]. However, as a rule, the investment in a successful animated cartoon project is significant. For example, the creators of Teletubbies spent USD 8 million on research into the behavior of children who watched the episodes [Kulikov, 2006, p. 29].

**Smeshariki for sale.**

Transfer of rights to use the brand. The Smeshariki producers have worked to gain popularity for two years by regularly showing new episodes on TV. They began selling the rights to use the brand in 2005 only (Fig. 1).



Fig. 1. Smeshariki logo

On average, the license is valid for 3 years. More than 700 types of goods and foodstuffs for children were produced in 2006, with a retail turnover of USD 50 million. [Shumova, 2007]. By 2008, the company had 50 partner companies. In total, 1,620 types of Smeshariki-branded products were produced. They include Russky Kholod that produces Smeshariki-themed ice cream; New Disk co. that produces computer games; Eksmo publishing house that publishes books for children; Si-Pro fast food manufacturer that produces gruels for children; Jump Russia, the shoe-making company that produces sneakers for children; JFC fruit importing company (Bonanza company that is part of the JFC group of companies puts Smeshariki-themed stickers on packages with Ecuadorian mini-bananas); Lebedyansky company that produces juices and fruit drinks and many others. Elki-Palki restaurant chain put Smeshariki logo and characters on its children's menu cards. According to S. Remmer, PR Director of Marmelad Media, JFC found the company, acting independently. They began producing mini-bananas and decided to create a new image. None of fruit producers have ever done it before. When JFC became the company’s partner, a license department was established, where a group of managers and lawyers developed license agreements. After that, the company got many more partners.

In 2004, the Smeshariki producers established a promotional design studio where 15 people worked, a production department and a sales department. According to I. Popov, the company realized that the most profitable cooperation would be, for example, with sweets-makers, but they did not want Smeshariki to be associated with sweets that many people considered to be bad for health. Therefore, first of all, the logo appeared on products that were useful for building a brand’s legend, that is, games, toys and books. [Gorelova, Koryukin, 2006].

When considering cooperation proposals and selecting partner companies, the project managers take the following criteria into account:

* Good company image and reputation;
* The company size and market share;
* Operations on the market for at least 3 years;
* Federal support of distribution channels;
* High product quality;
* Compliance with safety standards;
* Own modern production base;
* Willingness to conclude a license contract for a long term;
* Compliance with the Smeshariki project production and product range policy;
* Compliance with the Smeshariki project merchandising standards;
* Use of Smeshariki project style guides-based advertising materials;
* Comprehensive efforts in order to promote of Smeshariki brand products using B2B and B2C communications.

According to S. Remmer, when choosing products to produce or products on which the logo will be placed, the company takes into account the fact that the target audience is 3 to 9 years olds, and the key idea is that the products should be good for the child. Even the computer games are educational.

The Smeshariki presence on TV makes it possible to save on advertising. According to economists, the cost of advertising that would be sufficient for making the same impact on the audience as the regular Smeshariki show, is USD 50 million [Levinsky, 2007, p. 18]. The license holders proactively use the benefits that the popular brand brings. According to S. Trotsenko, Russky Kholod Marketing Director, Smeshariki ice cream sales were 10 times higher six months after the launch than that of the Zolotoy Klyuchik, another brand offered by Russky Kholod [Gorelova, Koryukin, 2006].

**Franchise sales to retail stores.**

Franchised stores is a special type of business operations. The company has no experience in managing retail stores, but it tries to obtain it as quickly as possible. The first company's partners’ retail shops were opened in the fall of 2007. Lishel-2, a South Korean company, opened Smeshariki franchise store in Lotte Plaza, and six Smeshariki departments in the shop-in-shop format in their hypermarkets in Bananamama. The average store is 80 square meters. According to R. Fedotov, Smeshariki Project Development Director, the shop-in-shop format allows you to make the most of all aspects of promotion at the store, merchandising and communication with the end user. According to him, a shop-in-shop opening budget is 500 thousand rubles. [Dementyev, 2007] O. Yakovlev, a Bananamama co-owner, says that the company is going to open Smeshariki departments in all stores. Now there are more than 85 of them, and it is planned to open 159 departments by the end of 2009. [Levinsky, 2007].

Initially, the company planned that only 30-40% of the products would be aimed at attracting children, the rest was intended to attract their parents. For example, they planned to sell women’s handbags and even car accessories in Smeshariki stores. By 2010, it was planned to open about 300 such stores in Russia. The franchisee will not have to buy out the entire range of products. The partners will have an opportunity to independently select the list of products and purchase as much as they need from the manufacturer.

Royalties (a percentage of revenue) will be the basis of Marmelad Media income. [Shumova, 2007]. According to I. Prokhorov, this is a supplier and seller relationship, the company’s revenue is part of the price of goods, and the retail margin belongs to Bananamama. Smeshariki obtain a 3% royalty from the turnover of their first franchisee in Lotte Plaza. According to Yu. Yugay, Lotte Plaza Lishel-2 retail outlets administrator, 50-70 customers buy something every day in the 20-meter bright Smeshariki department. According to the sellers, the average amount spent by one customer is up to 1,000-1,500 rubles. If they still have such earnings, the return per meter at a Smeshariki store will be the same as at a small Swarovski boutique [Levinsky, 2007].

The desire to sell goods aimed at adults in Smeshariki stores raised many questions among experts. However, the company's management does not think it is unconventional. According to S. Remmer, the company has always claimed it is a project that is targeted at all family members. They did not want to be a store aimed only at catering to children’s needs.

**Media product commercialization.**

After the cartoons appeared, the company began releasing VHS and DVD Smeshariki video collections, as well as computer games. A publishing project was launched. Books, magazines, and coloring books appeared in late 2004. EKSMO and Egmont publishing houses, the market leaders in their sectors, became Smeshariki partners. The latter is the leader of about 70% of the children's publications market in Russia. Smeshariki magazine published by the project's publishing group, managed to increase the number of published copies from 25 thousand to 146 thousand. It occupies the 9th place in the list of 21 most popular children's magazines. According to the company representatives, it was the 3rd on the list in early 2008. For children's magazines’ publishers, circulation is important not only for increasing the number of readers, but also as a source of publishers’ profit. Revenue from advertising, as a rule, is no more than 10% of the total revenue of publishers whose main source of profit is distribution. According to experts, the market of children's publications is worth roughly 6-7 million dollars.

**The market of children's goods and services.**

The Russian market of goods for children is one of the most dynamically developing segments of the retail sector. Sales of goods for children increased by USD 2 billion from 2002 to 2005. According to official statistics, about 28.5 million children under 16 live in Russia. This accounts for about 20% of the population. Stores that specialize in sales of goods for children are opened. The middle class demand for high-quality educational services and high-quality services rendered by preschool education institutions is growing.

According to the market analysts, parents spend roughly 34% on buying clothing, 12% on buying shoes, 18% on buying toys, and 36% on buying other items, including diapers and baby food. Experts predict that the market of goods for children will grow by 20-25% annually in the coming years. Russia has recorded the highest birth rate in the last 15 years.

According to I. Popov, the market of goods for children in Russia is worth about USD 8 billion. According to the company’s estimates, toys purchases account for USD 700-800 million. The share of branded products in Russia is still low, but it is growing by 2-3% every year. About 37% of goods for children have a brand name in Europe. The branded goods market potential is great. He thinks it exceeds USD 1.5 billion in Russia.

**Family recreation and entertainment.**

The family recreation services market infrastructure is very poorly developed in Russia. In total, there are about 700 amusement parks in the country, including 30 parks that are relatively large, but the absolute majority of them do not meet modern requirements. There are no modern large amusement parks in Russia that are similar to such recreation centers as Disneyland in the United States and France, PortAventura World in Spain, Europa-Park in Germany, Mini-Europe in Belgium, and Gardaland in Italy. Modern entertainment centers are built in large cities. It is believed that a classic amusement park requires the construction of 15-25 park amusements, and there must be extreme park amusements among them in Russia. The minimum park construction investment is approximately 300-700 thousand dollars, provided that there are no competitors, and the park construction site is leased, and 1.5-2 million euros, if there are competitors (excluding the cost of the park's infrastructure, incl. utilities, landscaping, construction of cafes, as well as the management company costs). Large parks cover 10-20 hectares. There are park amusements, artificial lakes, woodland parks, etc. The minimum investment is USD 20 million, while the chances of using borrowed money at the very beginning are low in Russia. The sales of tickets for park amusements, as a rule, account for 70% of the revenue, catering and related goods and services sales account for the remaining 25-30%. [Degtyareva, 2007]. Severe climatic conditions in the country are an issue for the park developers. Therefore, protected facility construction requires significant funds. Most of the open-air amusement parks in Russia are operational during about 120 days a year. The total capacity of the market for park services and entertainment is estimated at 3.5 billion rubles per year.

**New issues of old brands.**

Old brands proceeding from the famous Soviet films are quite popular. Several well-known animated cartoons were made in the USSR. They were based on the scripts of Eduard Uspensky, a writer. Virtually every Russian who has ever seen animated cartoons knows such characters as Cheburashka and Gena the Crocodile, Uncle Fyodor, Matroskin the Cat and Sharik the Dog, his friends. Lesbury, a Spanish company, signed a contract with Cheburashka OOO and sold chewing gum under the brand of Matroskin the Cat. Another story of business success of Cheburashka OOO is a contract signed with Unimilk company, a dairy product maker. Unimilk plants located in St. Petersburg, Krasnoyarsk, Lipetsk and Samara have produced milk, buttermilk, cream, sour cream and other dairy products under the Prostokvashino brand since 2004. According to Unimilk data, the company’s Russian dairy product market share is 15%. [Shumova, 2007].

There are products under the brand of Prostokvashino and Cheburashka in the range of products produced by Alter West co. that competes with Russky Kholod. Landrin sweets maker produces chocolate eggs with Uncle Fyodor and Matroskin figurines inside. There is no accurate data on the volume of sales of goods under the trademarks associated with characters created by Eduard Uspensky. Yet, Alter West alone, according to the company data, sells such products and gains more than USD10 million. However, Uspensky received only one-off payments from many partners, and not royalties [Gorelova, 2006].

Despite the fact that Eduard Uspensky was aware of his characters’ marketing potential, you cannot say he was proactive in promoting them. Neznaika, the famous character of children's books by Nikolai Nosov, and later a cartoon character, is also popular with manufacturers. Iceberry, an ice cream maker, bought the rights to use the brand Neznaika in 2006. The company's management believes that this is the best way to create a national brand in the low-cost market segment.

Global companies operating in the Russian market also explore the Soviet television old characters who have not been discarded. Procter & Gamble (P&G) bought the rights to use Kadetstvo series characters in 2007. Kinokonstanta company sells the rights to make stationery for schoolchildren with the logos of the series.

**A good example is contagious.**

The success of Smeshariki animated cartoons caused a desire to follow suit in Russia. Elysium, a company that manufactures toys and packaging for candy sets, with a turnover of about USD 5 million, invested about USD 3 million in creating Elka the Bear, a cartoon character. Elysium company management believes that creating a film will your own logo will help the company have a 10-fold increase in sales volumes.

Another contemporary Russian animation product that is focused on commercial development, is the Luntik series produced by Melnitsa studio. Rossiya state-owned TV channel requested the production for Spokoinoi Nochi Malyshi program. Luntik is a cartoon character. He was born on the Moon and fell to Earth. He explores life on Earth together with the kids. A. Boyarsky, Head of Melnitsa studio, plans to cover the costs of the project by selling related products, DVDs, books, coloring books, audio recordings of the series, etc. The company is planning to release series-themed computer games in partnership with 1C company. According to A. Boyarsky, only ‘the popular full-length animated cartoon character-based game sales can generate up to 100 thousand dollars of profit’ [Boyarsky, 2006].

**Who is behind the Smeshariki brand?**

In 2008, a group of companies was engaged in business development. The group included the following businesses:

Petersburg SKA OOO (Computer Animation Studio). The studio was established when the project was launched. Its main function is the production of the series; Smeshariki OOO is the copyright holder of the brand;

Marmelad Media OOO (Marmelad Media). This company is engaged in project advertising and promotion; Marmelad Prom OOO has been operating as a trading and production company since 2006; FAN Game ZAO (FAN Game) is engaged in educational table games production, including those that are produced under other brands;

Smeshariki-Tsentr OOO serves as the project Moscow representative office. In total, the group of companies employed about 300 people. The companies were not formally affiliated, but were managed as one business entity.

In fact, Marmelad Media performed managing company functions. It was established in 2004. The managing company is divided into departments. The licensing department is a separate entity. The managing company’s special department is engaged in handling products in the Cosmetics sector. According to I. Popov, various business groups within the company are responsible for operations in various areas. It is safe to say that the company is managed in a manual control mode. In the future, the company will inevitably have to rebuild all business processes. The company management is aware of the fact that it needs to build a management team who will operate independently, not within these groups and use common standards.

The retail buyer does not know the names of the companies. Marmelad Media company provides marketing support to the project to inform potential buyers of licenses and prospective other B2B market project participants. The website of the group of companies is a website of Smeshariki project. According to I. Popov, the company is engaged in providing marketing support of Smeshariki project. There is no need to promote the studio and the company as a whole. The end user really does not know who is behind the project. So far, the company is happy with this.

**The main project’s development potential is not fully exhausted.**

The company had already invested more than USD 20 million in the Smeshariki brand by 2007. [Shumova, 2007]. Smeshariki is the key project, and its development potential is far from being exhausted. The episodes are released, and they become increasingly popular with the audience. Manufacturers admit that they are attracted to a widely promoted brand. The environment where characters of one episode of the cartoon live is expanding. How long can this expansion continue and what will the company operational results be? It was planned to produce 208 episodes within the project. It was expected that the last episode would be released in 2009. Meanwhile, not only positive feedback to what the company was doing was posted on the Internet and in the media. Some authors mention rather rudimentary design of the cartoon, compared to traditional and more expensive cartoons [Tereshchenko, 2007, p.82]. There are people who are dissatisfied with the quality of products produced under the Smeshariki brand. It is increasingly difficult to maintain a high scripts’ quality, at least, this is some parents’ opinion. The art product production process is improving, but what will happen when people get bored of the episodes or when the cartoons go into the category of cartoon classics? I. Popov answers the questions. According to him, the company’s development prospects are not exclusively connected with one animated cartoon project. The company has gained much experience in creating comprehensive brands, it knows how to unravel their commercial potential, and the company has built some connections. The company can integrate everything that is necessary to build the brand. Today, the company can be considered an expert who is engaged not only in development of its own brands, but who can also render services to other companies, first of all, the services for children, and they also mean related goods. In the future, Smeshariki project development process might go in parallel with other project development or exploring other project developing opportunities for the company provided that the company makes optimal use of our own resources. The company will take into account the principles that the company has been observing, incl. the principle of engaging into ‘violence-free’ projects in the future. The connecting link in any new project is the children. The company has begun exploring such project opportunities. For example, Santa Claus has been a brand for a long time, and Father Frost has not turned into a brand yet, although certain positioning can be observed. The project that was launched in the town of Veliky Ustyug and was a success could serve as a starting point. Probably, in the process of brand building, animated cartoon characters might be useful. It is also possible to search for appropriate cooperation opportunities with the Smeshariki project managers. However, there might be other characters and methods of support that are not associated with animation. For example, there could be live action films (without any reference to a specific image), shows, etc. This is an independent project the company can be engaged in, including a detailed brand book development. It is appropriate to try to achieve greater specialization, as far as children's audience is concerned. For example, the company could develop projects aimed at girls’ audience, not necessarily the ones that are based on the use of Smeshariki characters. When a critical mass of successful projects is built, the company could start creating a company brand that will not be associated only with Smeshariki. First, the company needs to prove that it can implement a few more projects that would be a success, and then the company could engage in building the company's brand.

The company head is not afraid of the Russian competitors. According to him, when the company started operating, it was the only company in the sector, there was no industry engaged in creating and using brands in the animation sector. No one can reinvent the wheel. The company management could say that the plans of the major global companies were a source of concern a few years ago, but today there are no such threats.

I. Popov spoke about the challenges of the modern epoch that the company had to meet in early 2008 and mentioned that the company's infrastructure had not even coped with Smeshariki project development. There were not enough resources, first of all, human resources. It was impossible to find job-ready experts, because the company was a pioneer in doing many things. This leads to various rates of various company department development. If Smeshariki project develops on an international scale, it can largely distract the company’s attention from developing other projects. However, the company does not consider the lack of personnel as a strategic threat. This is a medium-term issue that will be solved. The resource issue in general can probably be solved by engaging new partners. If the company does not develop all new projects independently, it is not really an issue. Large-scale investment costs can be shared. The company can still be engaged in implementing other projects and offer Smeshariki project opportunities at the same time. Interested licensees’ participation resolves many financing issues. Greater concern is caused by consumers’ and producers’ expectations, their vision of the prospects of a new crisis. Information management is another major challenge of the current epoch. There are international best practices, the company's own experience, it is necessary to manage the customers’ feedback. The company should consider all those issues when operating in one information field. It is not yet clear how to resolve the issue quickly and efficiently. The company management understands that managing a large-scale business project will require a major management system change.

Today, when asked what the company sells, the managers say that the company sells joy and happiness.

TOPICS FOR DISCUSSION

1. How can you justify the rapid growth of the group of companies within the Smeshariki project? What are the key factors that helped achieve success?

2. Why are the Smeshariki animated cartoon characters popular with licensees in Russia? Why were other similar projects less successful in Russia?

3. How would you define the Smeshariki branded goods and services buyers’ target group? Who buys these products and why? What would you suggest that should be done to attract child-free adults?

4. Conduct a comparative analysis of the Walt Disney business model and the business model of Marmelad Media-led group pf companies.

5. What are the main threats to the Marmelad Media company business development? How can the company counter them?

6. Who are the company's competitors and how can the company compete with them?

7. Suggest and build a rationale behind all possible company's business development strategies.

**7. Mandatory and optional reading list**

**а) mandatory:**

1. A. Thompson, A. J. Strickland. Strategic Management: Concepts and Cases. 12th edition. M.2000
2. M. Porter. Competitive Strategy: Techniques for Analyzing Industries and Competitors. M.2007
3. V.N. Rodionova. Strategic management. 3rd edition. M.2020

**b) optional :**

1. . L. Bossidy Execution: The Discipline of Getting Things Done. M.2017. Electronic library Alpina Digital <https://finunivers.alpinadigital.ru/book/225> (date of access: 19.04.2021).
2. S.A. Popov. Actual strategic management. Vision, goals, changes: textbook. M.2019 Electronic library Yurayt <https://urait.ru/bcode/431117> (date of access: 19.04.2021).
3. V.D. Markova. Strategic management: concepts, concepts, decision-making tools: a reference guide / V. D. Markova, S. A. Kuznetsova. M. 2019. Electronic library ZNANIUM.com <https://znanium.com/catalog/product/1003258> (date of access: 19.04.2021). -
4. A.Thompson, A.J. Strickland Strategic management. The art of developing and implementing strategy: textbook. M. 2017. Electronic library ZNANIUM.com <https://znanium.com/catalog/product/1028918> (date of access: 19.04.2021)
1. To be filled in when the updated Financial University educational standards and federal state educational standards of higher education “3++” are implemented. [↑](#footnote-ref-1)
2. Skills are described when the Financial University educational standards of the 1st generation and federal state educational standards of higher education “3+” are implemented. [↑](#footnote-ref-2)