



## KAPITEL 8 / CHAPTER 8<sup>8</sup>

### PROBLEMS OF STRATEGY DEVELOPMENT AND SELECTION AT THE ENTERPRISE

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#### **Introduction.**

As of today, the issues related to the formulation and implementation of strategies are particularly relevant and significant. The need to gain advantages in a highly competitive and ever-changing operating environment requires the application of a fundamentally new, high-quality approach to business management, especially in the context of managing international business activities, which involves the use of new approaches to international business management [1].

The issues of strategic management have been the subject of research by well-known scientists and management practitioners, including Vasylenko V.A., Tkachenko T.I. [2], Volodkina M.V. [3], Shershneva Z.Ye., Oborska S.V., Ratushny Yu.M. [4], and others. Research in the field of managing international economic activity has been reflected in the works of theorists such as Voronkova A.E. [5], Kozak Yu.G., Logvinova N.S., Svachenko I.Yu. [6], Dydykivskiy M.I. [7], and others. Strategic management of international economic activity has been studied and analyzed by Ivanov Yu.B., Tyshchenko O.M., Chechetova-Terashvili T.M., Revenko O.V. [8], Kyrychenko O.A. [9], Mazaraki A.A. [10], and others.

In the works of Babiy I.V., the characteristic features of the process of ensuring the formation and implementation of the strategy for managing the economic activity of enterprises have been analyzed, and the advantages and disadvantages have been described [11].

Perhat L.I. has examined the essence and significance of strategic management of economic activity, and analyzed the process of strategic management [12].

Pitel N.Ya. has studied the peculiarities of implementing strategic management of foreign economic activity in the conditions of globalization of enterprises, highlighting fundamental problems in implementing strategic management and proposing a special algorithm for forming the development strategy of the enterprise [13].

The effective implementation of strategic management and the use of appropriate development strategies play a significant role in the overall development of domestic enterprises and the prospects for increasing competitiveness. For enterprises engaged in multiple types of activities, it is customary to distinguish three main levels of

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strategies:

- corporate strategy;
- business strategies;
- functional strategies [14, c. 32].

The complexity of implementation of strategic management at enterprises is due to unresolved issues related to a common understanding of enterprise development processes and the need to improve methodological approaches to ensure the formation of development strategy and the management of strategic development of the enterprise [14, p. 32].

Vasylenko V.A. and Tkachenko T.I. interpret strategy as a set of specific rules for decision-making that an organization uses in its activities [2].

There are various definitions of strategy, including a plan, position, "clever maneuver," a principle of behavior, and a perspective [15].

Chandler A. suggests that strategy involves creating a unique position that includes an appropriate set of activities [16].

Gurzhiy N.M. considers that strategy is the foundation of strategic management and includes a series of interconnected provisions that relate to any sphere of an organization's activities [17].

In conclusion, it can be stated that strategy is a component of strategic management that allows an organization to achieve its established goals, enhance competitiveness in the market, and ensure a state in which the enterprise can successfully operate in highly competitive market conditions.

A strategy of development is typically seen as an action plan that is associated with the competitive position of the enterprise in the external market, both in the present and in the future. A development strategy aims to achieve long-term business goals [18].

**Main results.** Corporate strategy outlines a comprehensive management plan that covers all existing areas of activity and defines the development plan for the company as a whole. Business strategy is oriented towards ensuring effective management within a specific business sector. Its goal is to achieve long-term competitive advantages in a particular field of business. Functional strategy details the overall development plan and specifies approaches, methods, and actions for managing functional departments within the organization. It focuses on efficiently utilizing resources to implement the company's overall development strategy.

Operational strategy defines the existing principles for managing organizational links and specifies methods for addressing strategic and operational tasks. It is formulated for functional directions with the aim of ensuring the implementation of



higher-level strategies. Lower-level strategy complements and supports the higher-level strategy, and their execution collectively achieves the overall development goals of the enterprise, referred to as the foundational strategy.

The implementation of the technology of rationalized selection of strategy of development will allow solving the problem of forming a strategy of development based on subjective strategic vision by the management of development directions, which does not take into account the significance of strategy selection criteria and operational parameters.

Enterprise development planning involves the development of various scenarios for behavior in external markets, the decisive choice of which is directly related to the correct and timely response to changes in activity parameters that determine the formation of operating mechanisms.

Responsibility for the implementation of enterprise strategy of development is distributed among responsibility centers that execute the strategy of development in accordance with the program of tactical actions, ensuring clear coordination of work and the possibility of reviewing the strategy.

The technology of forming a development strategy is a priority element of the enterprise's strategic planning system. Special importance is given to the methodological foundation that ensures the processes of planning technology formation and implementation, allowing for the achievement of the goal of strategic planning in the formation of a sequence of well-founded actions aimed at achieving effective functioning and long-term development prospects.

The recommended technology for the choice of an enterprise's development strategy is provided in Figure 3.1.

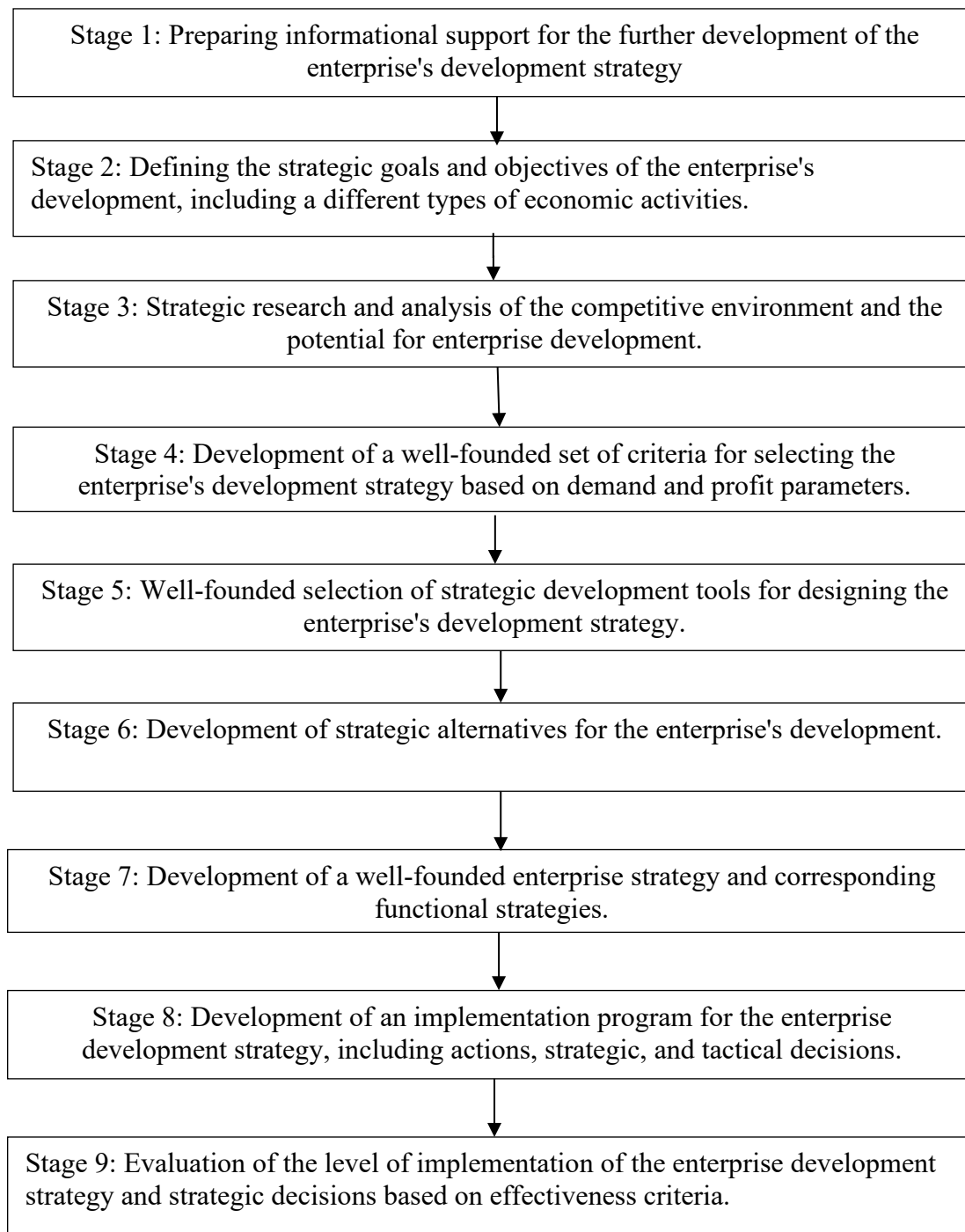
Recommended technology for the choice of enterprise development strategy based on demand and profit parameters foresees implementation of the identified stages.

Stage. Preparation of information for the further development of the company's development strategy. At this stage, information is collected for the development of strategic plans, it is systematized and processed. Based on the gathered information about the company's activities, the external environment, possible development strategies, methodological support for strategic planning is developed.

Stage 2: Determination of strategic goals and development tasks for the enterprise. Strategic goals are typically aimed at strategic changes and transformations that should apply to various areas of the company's operation. It is necessary to formulate development tasks for the enterprise, which will facilitate the identification of the necessary criteria for choosing a strategy.



Stage 3: Strategic research and analysis of the competitive environment and the potential for enterprise development. It is necessary to investigate the impact of competitive environment factors, identify, and assess the existing potential for development of the activities.



**Figure1 - Recommended technology for the choice of enterprise development strategy based on demand and profit parameters**

Stage 4: Formation of a well-grounded set of criteria for choosing the development strategy of the enterprise based on demand and profit parameters. Criteria



should be chosen to facilitate a well-founded, logical selection of a development strategy, taking into account the specifics of the enterprise's activities, based on the most relevant and significant development parameters, such as demand and profit.

Stage 5: Well-founded selection of strategic development tools for developing the enterprise's development strategy. These tools can include the portfolio analysis matrix, the growth-market share matrix, comprehensive business analysis, SWOT analysis, the Ansoff matrix, and other instruments.

Stage 6: Formation of strategic development alternatives for the enterprise. Acceptable options for strategies are developed for the enterprise's activities, which serve as the basis but can be modified and improved in various ways.

Stage 7: Formation of a well-founded development strategy and corresponding functional strategies. A comprehensive package of strategies is developed for the enterprise, which serves both general and functional purposes in the context of enterprise development.

Stage 8: Development of an implementation program for the enterprise's development strategy, including appropriate measures, strategic, and tactical decisions. To implement the chosen development strategy of the enterprise, an elaborate program of operational and current tasks is formulated, allowing for the tactical implementation of strategic development plans. The chosen strategies should be detailed, enabling the tracking of their execution both in terms of tasks and over time. The documentary form will facilitate the implementation of strategies into specific performance indicators to be achieved within a specified timeframe.

Stage 9: Evaluation of the level of implementation of the enterprise's development strategy and strategic decisions based on effectiveness criteria. The evaluation of the degree of achievement of strategies is determined by indicators of expected effectiveness, financial development results, external conditions, market conditions, and barriers.

The choice of stages in the development of the enterprise's development strategy is influenced by various factors, including the state of the market situation, the size and scale of the enterprise's activities, the current stage of the life cycle, the development of strategic planning, the characteristics of the management structure, centralization of management, the degree of diversification, the knowledge and qualifications of the planning team, the level of automation of management processes, and more.

The process of choosing a strategic planning of the technology of enterprise' development is a responsible one. The effectiveness and relevance to specific operating conditions, the implementation of the planning process, and the formation of a development strategy all depend on the chosen technology.



## **Conclusions.**

Recommendations for choosing the type of the technology of strategic planning and forming an enterprise development strategy.

If the market situation is stable, can be predicted, and it is advisable to use stable strategic planning technologies. Conversely, if it is unstable, it is more optimal to use flexible (continuous) strategic planning technologies.

For medium-scale activities, the appropriate technologies are sequential, combined, and responsibility center-based technology. In this case, the sequential technology aims to ensure the logical sequence of the strategic planning process. The combined technology involves interactive planning. The responsibility center-based technology enhances financial discipline.

For enterprises with somewhat limited scales, the simultaneous technology of strategic planning is a reasonable option. It involves the concurrent development as well as the coordination of development strategies at different levels and directions. Centralized technology involves the development of strategic plans for lower-level units based on the main strategic development plan.

During the stages of inception or winding down, planning technology from a zero base is used. The input base is an informational array that does not take into account information from past periods. At the stages of growth, peak, and decline, the selection is made with the consideration of additional criteria.

If strategic plans are being developed for the first time, technologies from a zero input base are used. In this case, the technology involves the development of strategic development plans in accordance with strategic objectives, and indicators from the previous period are not taken into account. Planning technologies that consider achievements take into account the results of the implementation of past strategic plans.

In a linear management structure, planning technology is implemented through responsibility centers. For a functional organizational structure, a mixed technology is appropriate.

In a centralized management environment, the use of centralized development planning technology is acceptable. This involves developing strategies and strategic plans for lower-level units in accordance with the main strategic plan. It takes into account the overall organizational goals and ensures coordination in developing strategies and development plans.

In a decentralized management environment, it is optimal to use decentralized technology with a sequential integration of lower-level development strategic plans into higher-level plans, which are consolidated into an overall plan of action.



In a highly diversified environment, it is optimal to use a business unit technology that allows for decision-making regarding the further development or contraction of different business units.

A mixed technology allows for reconciling strategic planning for development based on responsibility centers, individual projects and programs, and business directions.

A high level of employee competence provides grounds for applying complex strategic planning technologies for development, specifically: from a zero input base, and responsibility center-based. Simple technologies, such as centralized and technology based on what has been achieved, are used when there is a lower level of expertise among specialists in the field of strategic planning. An advanced information support system requires the use of technologies that utilize specialized software.