KAPITEL 4 / *CHAPTER 4* [4]
STRATEGIC MANAGEMENT OF THE ENTERPRISE ON THE BASIS OF PORTFOLIO ANALYSIS

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Any enterprise with commercial orientation strives to achieve a high level of profitability in its operational activities. Forming an optimal product portfolio structure becomes one of the key factors for achieving profit and ensures long-term success. Business portfolio analysis, which is an integral part of strategic management, allows determining the competitiveness of products and services in the market and identifying the most promising directions for development [1].

Successful enterprises usually have balanced "portfolios" that take into account the characteristics of different business areas (strategic business units) and the interaction between them. Thus, the development of a balanced product portfolio is a priority for managers at all levels of the organization's management. The terms "business portfolio", "product portfolio", "commodity portfolio", "commodity assortment" and "commodity nomenclature" are used in the literature on economics. These terms are often used synonymously, but they have their own characteristics and differences [2].

Therefore, the product portfolio should be identified as "a set of all goods (commodity groups, types and varieties of goods) for which there are opportunities within the organizational, economic and technological conditions of production".

The portfolio should take into account the capabilities of the organization, its strengths and weaknesses, as well as changing environmental conditions. In English-language sources, the term "product portfolio" is often interpreted as "a set of products that a company produces or sells" [3].

The concept of a balanced product portfolio is based on the theory of the product life cycle. It is important that the company's products are at different stages of the life cycle, ensuring profits from the main products at the growth stage, as well as compensating for losses from the decline of others and investing in new products. A

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balanced product portfolio of an organization should include core products (which are at the growth stage and generate the main profit), support products, strategic and tactical products, as well as products that are being withdrawn from the market and developed [4].

Portfolio management is a dynamic decision-making process aimed at continuously updating and reviewing the effectiveness of a company's "product projects". This process ensures maximum profitability and stability of the enterprise as a whole [5].

To study the product portfolio, there are many methods that can be grouped into three groups: methods for identifying consumer preferences, economic methods, and portfolio analysis. Let's consider the main methods of quantitative research of the product portfolio, their features of application for enterprises of different scale and specialization, as well as advantages and disadvantages [6].

It is important to note that the reliability of the analysis results is determined by the completeness of the initial information. The methods include ABC/XYZ analysis of the product portfolio. ABC analysis is based on the Pareto principle: "80% of possible results are achieved with 20% of effort, but the other 20% of results are achieved with 80% of effort". This method is very popular due to its versatility, simplicity, low costs and efficiency [7].

BZB Company has proposed its own matrix for portfolio analysis and planning, using the criteria of "product importance for the buyer" and "quality of execution". These criteria allow the analysis to focus on assessing the feasibility of producing specific products (product significance) at the required level of quality (quality of performance). Both market (consumer) criteria and production factors are taken into account, which allows directing strategic decisions taking into account the impact on demand parameters and production conditions [8].

The BZB matrix can be used as a tool for analyzing and planning the company's product portfolio to formulate strategies. Dibb Simkin's product portfolio assessment method classifies products into four groups, allowing to identify priority assortment items and develop specific product groups. The model uses sales dynamics and the amount of variable costs as input data for analysis []. The disadvantage is the difficulty of determining the exact amount of costs and the need to refine strategies for each case.

The Hofer/Schendel model is focused on strategic conclusions from the analysis of the Ukrainian market. It allocates product groups according to the configuration of the "life cycle" schedule and time parameters to avoid overall unprofitability of economic activity [9]. Since the amount of revenue at different stages of the life cycle is different, the method takes into account the need to maintain the overall profitability of the enterprise.

Arthur de Litt's ADL product portfolio assessment model uses a two-dimensional matrix that takes into account the competitiveness of the product and the stage of the industry's life cycle [9]. The method offers different strategies and is most suitable for high-tech industries with a short product life cycle.

I. Ansoff's product-market model is aimed at choosing a strategy for a particular product group in the context of market growth. Taking into account the type of market and the status of the product, the model offers four strategic alternatives: performance improvement, product expansion, market expansion, and diversification [1]. The main advantage is simplicity and clarity, which makes this model popular for making informed decisions.

R.I. Abel's matrix model is the most complex. The assessment of a business unit is determined by customer groups, production technology, and consumer needs. This three-dimensional model allows the company to choose attractive market segments, modernize outdated products or introduce new solutions to meet market needs. The main selection criterion is the synergy effect, which allows for comprehensive development of strategies for each product group.

Portfolio analysis methods provide an enterprise with the opportunity to develop alternative strategic solutions for each product group, taking into account an integrated approach. The main advantages of these methods are a comprehensive study of business units, simplicity and clarity in presenting the results.

However, the key disadvantages include the static nature, subjectivity, and limited number of positions and strategies. It should also be noted that the simplicity of the methods can be deceptive, as the reliability of the results depends on the completeness of market information, competitors, and the company itself. Building matrices requires the collection of data that is often not openly available and the analysis of market segments.

The sustainability and efficiency of an enterprise is determined by the correctness of strategic decision-making and the speed of response to environmental changes.

The main elements of strategic decision-making at the enterprise:

- strategic goal and the purpose of strategic decision-making;
- resources for realization of strategic goals;
- internal management technologies used for strategic decision-making;
- executors of the strategy and goals, strategic and tactical tasks;
- timing and place and period of implementation of strategic objectives;
- the expected end result of achieving strategic goals.

In the process of portfolio analysis at enterprises, strategic decisions are made in relation to various areas of activity (human resources, finance, production, etc.), as well as in relation to all strategic business units, each of which has its own specifics and features.

It is important that an enterprise is able to respond quickly to changes in time in order to preserve the capabilities and market positions of its products (strategic business units).

Since the approaches to strategic decision-making differ from those that are effective under conditions of uncertainty, the process of choosing strategic decisions in the context of portfolio analysis at an enterprise is as follows:

1. Analyzing the external environment in the following areas: macro environment; technological; market; customer. SWOT analysis is used to implement the stage.

2. Forecasting options for the development of the market situation. Analysis of the competitive environment is carried out to determine competitive scenarios, determine the direction of change in trends, determine the position of the enterprise and assess opportunities.

3. Ensuring the formation of strategic alternatives and strategic initiatives.

4. Development of strategic decisions.

5. Market monitoring to review strategic decisions.

The choice of strategic decisions of the enterprise for informational support of the goals of portfolio analysis is characterized in Table 1

Table 1. – Characteristics of the choice of strategic decisions for information support of the enterprise portfolio analysis goals

Stages	Characteristics of stages	Strategic tools
1.Analyzing the external environment	An assessment of changes in the external environment, the behavior of competitors and other participants in the competitive market.	SWOT analysis
2. Forecasting options for the development of the market situation	The competitive environment is analyzed in order to form competitive scenarios, the general direction of market trends is determined, and the company's capabilities are assessed	PEST analysis
3.Ensuring the formation of strategic alternatives and strategic initiatives	Strategic alternatives for the enterprise are formed taking into account changes in the external environment	Tree of goals
4.Development of strategic decisions	Strategic decisions are made taking into account the strategic position of the enterprise and their implementation	Forecasting methods
5.Market monitoring for revision of strategic decisions	Based on the results of the monitoring, revision of strategic decisions and the enterprise's strategy is organized	Strategic monitoring

When selecting strategic decisions using the results of the portfolio analysis of the enterprise, the following is carried out:

- monitoring of the external environment using appropriate strategic analysis tools;

- development of measures for timely response to changes in the operating environment;

- to implement strategic decisions, actions are translated into tactics that reduce the risk of costs and help to find the right model of behavior and the right strategic decisions for each component of the business portfolio;

- assessing competitors across all strategic business units to make the right strategic decisions.

The portfolio of activities should correspond to the capabilities of the enterprise

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and the specific conditions of the operating environment. Based on the analysis of the business portfolio, which should be periodically implemented, managers should determine which areas of activity should be developed and which should be eliminated or limited.

The business portfolio of an enterprise can be characterized by the following characteristics:

- compliance of the directions with the activity profile;
- focus of the portfolio analysis;
- riskiness of certain types of activities;
- structured business portfolio in accordance with the types of activities.

The business profile is determined by the types of activities in combination with its industry and regional affiliation. Riskiness is an integral element of each business portfolio implementation due to the difficulty of providing an effective forecast of changes in the external environment. The specific nature of the business portfolio's focus is determined by its task to realize the business objectives. The structure of the business portfolio includes the types of activities carried out by the enterprise.

The value of the business portfolio is determined by the ability to provide management with information on the process of reconciling the strengths and weaknesses of the enterprise with possible threats and challenges in the external market environment. The effectiveness of strategic planning depends on the correctness of the business portfolio and the quality of the portfolio analysis. A business portfolio is a set of distinct strategic business units responsible for certain types of market activities.

The current trend for increasing market concentration in the vast majority of industries encourages the enterprise to ensure and maintain a high level of competitiveness by balancing the structure of business lines, maintaining and strengthening the gained market positions, ensuring high efficiency of allocation of available resources by type of activity. At the institutional level, the company's management solves the priority tasks of maintaining competitiveness in the formation and development of strategic measures for managing diversified production, which includes a set of business areas in the structure of the business portfolio.

Portfolio analysis of a business is one of the most important strategic management tools. The study of the business portfolio provides the company's management with an understanding of the interdependence of different business areas and creates an opportunity to balance the impact of the factors of the company's functioning, in particular, risk, development, cash flows, and liquidation of certain activities.

In order to analyze the business portfolio, it is necessary to define the essence of the concepts of "strategic business area" (SBA) and "strategic business unit" (SBU), which were formulated and introduced by General Electric company for the possibility and convenience of segmenting the business environment.

A SBA is a unit of portfolio analysis that is a separate market in which an enterprise operates or wants to enter. It is advisable to take into account the factors that determine the SBA. These include production technology and products that are designed to meet the needs of consumers and the geographic region.

A strategic business unit (SBU) is a strategic business center and an integral part of a business portfolio. A SBU is an organizational unit responsible for identifying and developing areas of strategic development of an enterprise in one or more business areas.

Strategic business units can be considered target groups with varying degrees of autonomy, characterized by autonomous individual strategic planning, individual determination of sales activities, independent development of strategies, and responsibility for implementation results. A business unit has a specific market segment that it serves and has a defined competitive position.

The purpose of the portfolio analysis is to analyze and evaluate the company's product and market opportunities and determine the relationship between types of activities. The results obtained from the portfolio analysis are used by enterprises in the implementation of activities and in the development of the structure of their activities. After determining the scope of activities, the management decides how to act in the selected SBA in order to ensure the shortest way to achieve the goal in the face of fierce competition, which is realized through competitive analysis of the SBU.

The recommended technology of portfolio analysis of an enterprise is shown in

Fig. 1

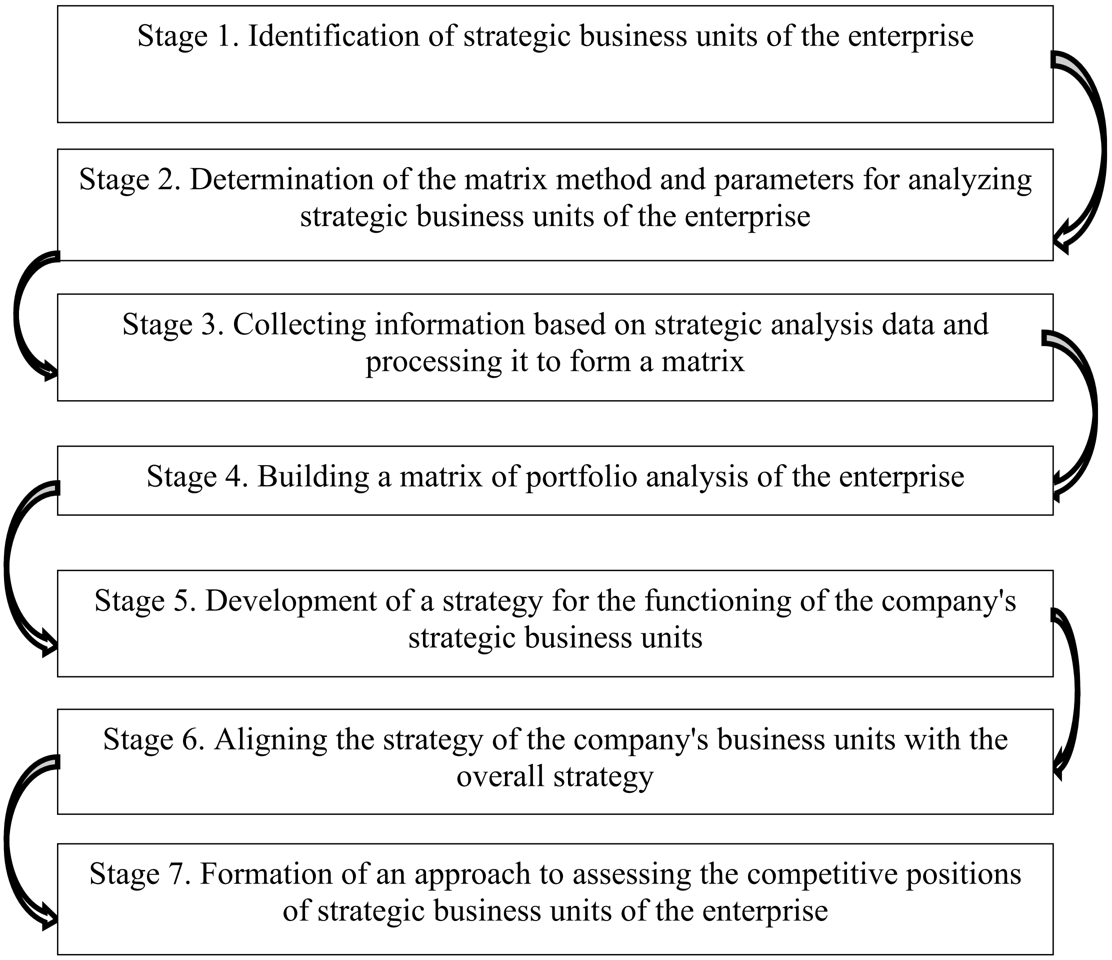

Figure 1 - Recommended technology of enterprise portfolio analysis

The methods of portfolio analysis are aimed at assisting enterprise managers in determining the costs and profits of diversified operations. A characteristic feature that unites portfolio analysis methods is the formation of two-dimensional matrices. This is necessary for comparing the SBUs in terms of competitive position, sales growth rates, industry attractiveness, market share, etc. The criteria obtained in the process of analyzing the external environment of the enterprise are used to implement the basic principle of market segmentation. One axis in the matrices is intended for the values of internal factors, while the other reflects the values of external factors.

Portfolio analysis of an enterprise should be used to solve the following issues:

1) harmonization of different strategies of business units in order to ensure balance between the types of activities of the enterprise;

2) allocation of resources between different business units;

3) analyzing the portfolio balance;

4) setting performance goals;

5) restructuring of the company's activities.

Among the recommended methods of portfolio analysis, it is advisable to distinguish:

- I. Ansoff's product/market matrix;
- Market growth/market share matrix (BCG matrix);
- matrix "attractiveness/competitiveness" (General Electric matrix);
- Competitiveness/life cycle stage matrix;
- Hussey matrix;
- Market growth/competitive position of the enterprise matrix and others.

These methods of portfolio analysis have advantages and disadvantages. The choice should be made taking into account the specifics of a particular situation.