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FORMATION OF CORPORATE STRATEGY BY THE ENTERPRISE ENGAGED IN FOREIGN ECONOMIC ACTIVITY

Abstract. The article proves the importance of corporate strategy formation and the significance of considering the current state of the economy by the enterprise engaged in foreign economic activity. The nature of the corporate strategy, as well as stages and principles of its creation are analyzed. Based on the analysis of domestic and foreign scientific developments, the definition of the concept “corporate strategy” is provided. The process of the corporate strategy formation is also considered. The principles of the corporate strategy formation are systematized and their short description is presented. Requirements for the corporate strategy formation are developed.

Key words: corporate strategy, enterprise, strategic directions, principles, business unit, strategic planning.

Formulation of the problem

With the development of market relations in Ukraine, domestic enterprises are increasingly faced with the problem of surviving and ensuring sustainable economic growth in the long run in a challenging, dynamic environment. An effective solution to this problem is the creation and implementation of competitive advantages which can be gained due to a well-designed, effective strategy for the organization’s development.

It should be noted that at present there are no common approaches to working out the sequence of the enterprise corporate strategy development. The practical solutions to the problems associated with the need to ensure the functioning of the enterprise not only today but also in the future, depend on the enterprise management competence in the strategy formation methodology and methods. The strategy

enables the company to solve a complex of problems related to purposeful reorientation towards manufacturing new products; expansion or reduction of the nomenclature and range of commodity products; introduction and use of more effective technologies; formation of the strategic potential necessary for the achievement of strategic goals; transformation of production and organizational business structure; development of specialization and cooperation; diversification of activities; development of marketing; improvement of the management organizational structure etc. So taking into account the above said, it can be stated that the formation of the corporate strategy has an impact on the activity and development of the enterprise in the long term.

Relevance of the chosen topic

The corporate strategy is an objective basis for finding answers to such important questions facing the enterprise as in what sphere or on what markets should a firm operate; how to ensure the most efficient allocation of limited resources; how to compete effectively and so on.

The general significance of particular problems, their insufficient scientific development, misunderstanding and ignoring the role of the corporate strategy for the enterprise, the need to analyze the existing methods of its formation, underestimation of the role of choosing the right strategy and its impact on the further development of the company justify the necessity for a thorough study of these issues, they becoming extremely relevant in the current economic environment.

Analysis of recent research and publications

The nature of the corporate strategy is dealt with in the works of foreign and domestic scientists such as Thompson A., Strickland A. J., Ansoff I., Mintzberg H., Popov S.A., Markova V. D., Kuznetsova V. A., Vasylenko V. A., Tkachenko T. I., Oberemchuk V. F. and others. Their view of the corporate strategy is as of a comprehensive management plan for a diversified company (having a set of different types of business or strategic business areas). According to A. A. Thompson and A. J. Strickland, the "corporate strategy" is when a multi-industry company approves its principles in various fields, as well as in the activities and approaches aimed at improving the company's activities". R. Kokh uses the term "corporate strategy" in two approaches: as a direction for strengthening the competitive advantages of a company and increasing its value; as the concept to characterize the activities of top management. I. Ansoff, as an adherer of the theory of strategic planning considers the corporate strategy as a complex relationship between portfolio and competitive strategies and their components [1, 2].

It should be noted that today there exist no unified approaches either to the definition of the essence of the enterprise corporate strategy or to the development of the stages of its creation. The definition of the corporate, or general strategy provided by the Economic Encyclopedia, implies that this strategy determines the general direction of enterprise activities and is formed by the enterprise top management. It performs the following three main tasks:

- to choose the main direction of the enterprise activity and its strategic business units (CBU);
- to define the specific role of each CBU and each of its subdivisions in implementing the corporate strategy;
- to determine the amount of resources and the ways of their distribution between the CBUs and other units.

In multi-business enterprises, the corporate (general) strategy is also called the portfolio strategy. The corporate strategy is closely related to the competitive (or business) strategy, which it actually determines, and the latter ensures the implementation of the former.

In one-business enterprises, these two types of strategies are united – the corporate strategy is at

the same time the competitive strategy and vice versa.

W. King believes that the company's strategy has three stages: at the first stage, the company seeks to achieve its goal by using existing products and markets, trying to preserve its existing reputation. At the second stage, the enterprise pays more attention to new markets, trying to create a more advantageous image of itself. At the third stage, the company develops new products for existing markets, trying to significantly improve its reputation.

F. Kotler determines a sequence of the strategy development stages which consists of the company's program; company's goals and objectives; business portfolio development plans; company's growth strategies.

I. Ansoff distinguishes the following ways of developing a company strategy: analysis of the prospects of the enterprise; analysis of positions in competition; choice of strategy.

V. F. Oberemchuk criticizes by W. King, F. Kotler and I. Ansoff for their division of the process of strategy formation into stages because of its insufficiency for the current stage of the market relations development.

According to V.F. Oberemchuk, the above presented stages of the enterprise strategy formation can be applied only by non-diversified enterprises (enterprises with one type of business), where such a strategy will be simultaneously a general (corporate) strategy.

In a slightly different way, S.M. Gaydaeva presents the process of forming a competitive strategy, emphasizing that the process of strategic analysis is preceded by the process of establishing the course of enterprise development and the formation of its mission and goals.

V.A. Vasylenko and T. I. Tkachenko single out seven stages of the process of strategy development: statement of the mission, statement of the goal (goals), statement of values, analysis of the environment (includes collection and interpretation of information about the external environment, internal environment and expectations of interested groups), objectives, strategic choice: a) strategies, b) analysis of options, actions.

G.V.Osovska considers an algorithm for developing and implementing an enterprise strategy, outlining the main functions and key actions: definition of the mission; definition of

goals (transformation of the mission into a set of goals; construction of a “tree of goals”); analysis of internal capabilities (products, production potential, marketing, production cost; identification of strengths and weaknesses of the enterprise, formation of its competitive advantages); analysis of the external environment (market, consumers, competitors, analysis and evaluation of the macro environment, selection of the target market and the market segment); analysis of alternatives and strategy selection (strategic segmentation and strategy portfolio formation; choice of the basic development strategy); development (or optimization) of the organizational structure (development of principles and methods of motivation; making appropriate changes in the organizational structure); implementation of the strategy (selection of people for key positions, definition of strategically important advantages, motivation, creation of the organizational culture).

Given the above, it should be noted that there is no systematic and unified understanding of the concept of “corporate strategy”, there are hardly any clear principles for building a corporate strategy as a component of the enterprise management.

Goals and objectives

The goals and objectives of the research are: to specify the nature of the concept “corporate strategy”, to identify the principles of the enterprise corporate strategy formation and to provide a brief description of each of them, as well as to determine the role of corporate strategy in the development of the enterprise.

Main material and the research results

The corporate strategy is a program of actions, which determines the main directions of the company’s development and is worked out at the highest managerial (institutional) level. To meet the needs of the consumers, the company should follow a common corporate strategy, which is an important factor in achieving success. The developed corporate strategy helps large diversified enterprises to preserve and strengthen their positions on target markets for a long time, consistently meeting the needs of consumers better than their competitors.

When formulating a strategy, it is necessary to pay attention to the systematic approach to organizing changes in the enterprise, it being the

most justifiable methodological approach in this case. In the organization model, as a system, there are present interacting components: personnel, culture, tasks, technologies, structure and strategy. Changing one of them necessarily affects at least one of the rest. Therefore, changes must be introduced simultaneously both in the technical and in the social space of the organization in order to optimize their relationship and interaction.

Principles of forming a corporate strategy that define the requirements for it, the nature and the content of the the company’s business activity have a significant role and influence on the effectiveness of the process of development and implementation of corporate strategy of an enterprise involved in foreign economic activity. Compliance with these principles can guarantee the effective operation of the enterprise, avoiding negative results when implementing the chosen strategy (Table).

Characteristic for many enterprises is a hierarchical management system that has a number of disadvantages. Thus, for example, the internal interests of individual units may conflict with corporate interests. The development of predominantly vertical ties, being characteristic for a functional approach, brings up the necessity to solve problems arising at various levels of the organization by the head of the enterprise. Operational work, in turn, prevents top management from concentrating on solving strategic tasks. And this is not the fault of the top manager, but the drawback of the organizational system used.

To be competitive, businesses need flexibility, which they often lack. The progress of production technologies and the corresponding change in the requirements to product parameters are those factors that encourage modern firms to change their design and management practices. Organizations that today are still often characterized by rigid hierarchical management systems, a high degree of professional specialization, a limited range of tasks for each employee, inflexible rules and procedures, fail to respond adequately to changes. Therefore, programs of large-scale changes in the organization often involve introduction of changes in the organizational structure. The methods of introducing changes, in which the variable is an organization structure, relate to rethinking and reorganizing the interaction scheme and the tasks of the units and / or the structure of the entire enterprise.

Principles of corporate strategy formation and their key characteristics

Principles	Characteristics
Integrity	A corporate strategy should be formed as a system
Continuity	A corporate strategy should be used constantly, avoiding time differences
Flexibility	The ability of a corporate strategy to change its focus in response to unpredictable circumstances
Accuracy	A corporate strategy should be specified and detailed
Participation	The development of a corporate strategy should involve the largest possible number of employees at different levels of management
Compliance with the market requirements	It defines both the level and the possibility of rapid adaptation of the enterprise structure, goals, objectives and directions to changes in the market environment in order to ensure its effective functioning in the long run
Switching loads and resources	It implies an effective combination of resources in the process of their utilization aimed at ensuring their even consumption and distribution of the load during operation
Balance of goals and interests	It implies developing measures of anti-crisis nature aimed at preventing the crisis, overcoming the crisis and eliminating its negative consequences. This principle involves the need to consider the interests of every enterprise participant, who ensure the functional development of enterprise foreign economic activity, to prevent the deepening of the crisis situation

Note: Formed on the basis of the analysis of literary sources

Successful implementation of complex projects and solution of complex problems can be done due to formation of additional authorities – project teams. This new organizational structure is created for a certain time period to solve a specific problem. In this case, a temporary structure is being formed for the implementation of a separate, well-defined problem, which involves the representatives of various structural units.

A flexible organizational structure implies the coexistence of the project organization parallelly with the formal organization. The rules of the project organization related to cooperation of its members, the way of making decisions and solving problems differ from those of the main organization. But at the same time, a parallel organization does not require the recruitment of new people, it is closely connected with the main organization and coexists with it.

In large projects with a large number of participants, there operate several interconnected teams. There is the main team, whose members control the work of satellite teams, and are responsible for the free exchange of information between the main team and its satellites.

Project organizations are distinguished by the fact that all channels of interaction are open and engaged. Managers and employees communicate freely, without any restrictions, without looking at the formal communication channels specified by the hierarchy of the main organization. Unlike

traditional production teams, project teams are focused on achieving specific results. They are managed less formally, including the division of powers, with the role of the leader moving from one team member to another, depending on the stage of work or the availability of team members. Their meetings, as a rule, take place in the form of free discussions aimed at solving specific problems.

Personnel in such organizations are endowed with power, that is, decision-making is transferred to individuals and teams where competent decisions on specific situations can be made at a lower level. Management at all levels is aimed at ensuring positive leadership. The project team enables collaboration of specialists from different departments of the organization.

It is always difficult to change the structure of an organization. It often happens that managers have to change the attitude towards personnel in order to move forward. The system of organization should foresee, on the one hand, high responsibility of its employees, and on the other – the opportunity for the employees to show the initiative and for the organization to properly use employees’ potential.

The work of the project team requires activity from all its members. Instead of formalized rules and procedures, centralized decision-making, narrowly directed responsibility, official relationships characteristic for a formal organizational structure, the project team is able to accumulate a

potential that is several times greater than the sum of abilities and experience of any of its members due to participative methods of collective work. The team work allows using the efforts, skills, capabilities and creative abilities of all the project participants. The team is able to grow, change and adapt to new requirements, ensuring full and high-quality compliance and implementation of the strategy.

The top management is the “architect” of the process of forming a strategy, defining its main stages and consistency. Management determines the general goals of the enterprise development and the main ways to achieve them. Management of middle and lower levels, as well as departmental specialists, develop operational plans. The duties of specialists also include analysis of the internal and external environment of the enterprise, preparation of forecasts and scenarios for the development of events. Heads of divisions and staff members work together to evaluate the alternative strategies offered to the enterprise.

Business unit strategy should be developed by operational managers in each strategic business unit. The corporate center strategy should be developed by the chairman of the board of directors, the president or several close colleagues, but the best managers of business units should affect, check and approve it.

The development of market relations in Ukraine, in particular, in capital construction, requires the search for effective ways of economic management. Quality improvement is a prerequisite for improving competitiveness of the organization. The adoption of a long-term strategy for total quality management requires enterprises to develop a new organizational philosophy aimed at creating a balanced and integrated system that can meet the needs of both domestic and foreign customers. This, in turn, makes the enterprise management change the methods of designing and doing business.

The effectiveness of enterprise management now depends on how well managers are developing and implementing a strategy. Some managers develop strong strategies, but they can not turn them into practice while others create mediocre strategies though manage to brilliantly implement them. In order for the company to achieve maximum success, managers should combine a good strategy development with its successful implementation. If the strategy gives the company advantages over its competitors, it is better to keep it confidential.

All of the foregoing suggests that while building a scheme of the enterprise operation it is desirable to take into account the project approach, which requires rethinking of the place and the role of personnel in the process of implementing the corporate strategy of the enterprise.

In the Ukrainian market environment, unlike the foreign market, strategies are predominantly formed in the short run and the choice of a strategy for the enterprise depends fundamentally on a particular situation. In fact, we can say that there are as many specific strategies as there are enterprises.

When choosing their enterprise strategy many foreign companies use the development strategies choice offered by Thompson and Strekland. The scientists proposed a matrix for choosing a strategy, depending on the dynamics of the product market growth (equivalent to the growth of the industry) and the competitive position of the enterprise.

While overcoming the crisis the enterprises should use an integrated approach. The company’s leaders are supposed to solve a number of problems in each direction to achieve sustainability during the economic instability of the market. The listed changes are the most typical for overcoming the crisis situation by the company on the background of the problems that have arisen and management should take them into account. It is also worth taking into account the most important point in the times of crisis, namely, limited human, financial, and time resources. To be able to survive during the crisis the company should use the available resources very carefully.

The organizations that have developed a strategy are always able to behave consistently and systematically in their business, in particular, in a dynamic competitive market environment as a whole, which increases their ability to achieve their goals. Thus introduction of a strategic management system in Ukraine is an objectively necessary process in business management, which increases the ability of business organizations to adequately respond to unpredictable changes and contributes to a well-founded, coordinated solution of both current and strategic problems.

The process should be based on the available foreign experience in the field of strategic management and it is necessary to ensure that it is transferred creatively to the Ukrainian enterprises with the account of specific conditions of development of the Ukrainian economy. This will help domestic enterprises establish necessary

productions and increase their efficiency. Unfortunately, the following objective and subjective obstacles hinder this process:

- uncertainty of the market environment of the transition economy;
- high costs of organizing the planning and implementation of the strategy, in particular, for market research and the implementation of strategic changes;
- lack of qualified professionals of necessary specialties;
- the reluctance of the heads of enterprises to engage in strategic management.

Conclusions and prospects for further research

Defining the principles of corporate strategy formation allows outlining all the components and elements of the company's strategy. Further research may deal with determining the principles of corporate strategy formation based on the listed components and with the account of all its elements.

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