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## MECHANISM OF FORMING OF THE FINANCIAL STRATEGY TO ENSURE THE DEVELOPMENT OF BUSINESS SUBJECTS

*Theoretical aspects of the essence of financial strategy as a component of general economic development of a business entity and the necessity of its practical realization in order to improve the financial condition of a business entity are investigated. The author's approach to the structural elements of the financial development strategy is suggested; the methods and tools for financial strategy development are presented; the theoretical approaches to the estimation of cost of capital as the important criterion of estimation of financial strategy of development of the subject of economic activity are considered.*

*Key words: financial strategy, development strategy, business entity, structural elements, methods, tools, cost of capital.*

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## МЕХАНІЗМ ФОРМУВАННЯ ФІНАНСОВОЇ СТРАТЕГІЇ ДЛЯ ЗАБЕЗПЕЧЕННЯ РОЗВИТКУ СУБ'ЄКТІВ-ГОСПОДАРЮВАННЯ

*Досліджено теоретичні аспекти сутності фінансової стратегії як складової загального економічного розвитку суб'єкта господарювання та необхідність його практичної реалізації з метою поліпшення фінансового стану суб'єкта господарювання. Запропоновано авторський підхід до структурних елементів стратегії фінансового розвитку; представлені методи та засоби розробки фінансової стратегії; розглянуто теоретичні підходи до оцінки вартості капіталу як важливого критерію оцінки фінансової стратегії розвитку суб'єкта господарської діяльності.*

*Ключові слова: фінансова стратегія, стратегія розвитку, суб'єкт господарювання, структурні елементи, методи, інструменти, вартість капіталу.*

The urgency of research. Today, there is the process of gradual integration of Ukraine into the European community with its specific harsh conditions in the market, which pose a problem of survival to domestic business entities, that is taking place.

Under the current conditions of the dynamics of changes in the market environment and the instability of Ukraine's economic development, the need to study the reasons for the unsatisfactory financial and economic state of many domestic economic entities and the identification of promising effective directions for its improvement is growing. To achieve this goal and the transition of national entrepreneurship to a qualitatively new level of efficiency of functioning, it is necessary to substantiate the mechanism of forming the financial strategy for ensuring the development of business entities.

Target setting. The purpose of the paper is to substantiate of the mechanism of forming the financial strategy for ensuring the development of business entities.

Actual scientific researches and issues analysis. The rapid pace of market relations on the one hand and their complications on the other hand were put by modern enterprises of various forms of ownership, the size of the authorized capital and the functioning of the industry in conditions of uncertainty. Such conditions and possible problems within the limits of a particular market segment considerably complicate the processes of planning and forecasting the further development of the business entity. Therefore, to ensure financially stable and profitable functioning, it is necessary to choose the most optimal strategy and build a detailed step-by-step strategic plan for the enterprise development.

The theoretical basis of research on the problems of the financial strategy formation by enterprises was seen in the works of such domestic authors as Blank I., Bilyk M., Gavrilova T., Garafonova O., Ignatieva I., Martynenko M., Oborska S., Podderiyogin A., Starovoitova A., Seliverstova L., Fomina P.

Uninvestigated parts of general matters defining. Considering a great number of publications on the issues of the financial strategy formation, in today's conditions of economic instability, the need to study modern approaches to the formation of the financial strategy for the development of business entities; the definition of the essence of the financial strategy of the company as an element of the overall economic plan for its development and its disclosure of structural elements of the financial strategy of the entity in terms of the main directions of its financial and economic development.

The statement of basic materials and Conclusions. Today, more and more business entities recognize the need for perspective management of financial activities on the basis of scientific methods for predicting its directions, adapting to the general objectives of the subject of economic activity and the environment. An effective tool for the future management of financial activities of business entities is the financial strategy, because it performs a security function in relation to other functional strategies, and also allows to really evaluate the financial capabilities of the enterprise and ensure the maximum use of its internal and external potential.

Approaches of scholars to the definition of the essence of financial strategy are diverse.

Thus, G. Veretennikova believes that the financial strategy is a forward-looking system of actions for the effective attraction, redistribution and use of financial resources, aimed at achieving financial goals that ensure the social development of the enterprise within the framework of its effective functioning [1].

M. Martynenko and I. Ignatieva provide such a definition of the financial strategy - it is a strategic program for the formation of financial resources and capital investments at the expense of own and attracted foreign capital, their distribution between corporate, functional and specific strategies, as well as their effective use the strategies in the implementation processes [2].

A. Podderyogin, N. Nevermizhitsky and M. Bilyk provide the following definition: the financial strategy is the way of realizing the enterprise long-term goals of financial activity, eliminating the contradiction between the need for financial resources and the possibilities for their formation [3].

T. Gavrilova believes that the financial strategy is a system for the formation and implementation of the priority financial objectives of the enterprise by effectively forming and using the financial resources, coordinating their flows, providing the necessary level of financial security of the enterprise on the basis of continuous monitoring of changes in the factors of internal and external environment [4].

From the point of view of Z. Shershnyova and S. Oborskaya, the financial strategy is the basis for choosing an alternative that determines the nature and direction of the organization of the financial relations both inside and outside the enterprise. The financial strategies are developed in the form of a plan or a program of the organization financial development, taking into account the necessary changes in the structure of capital and the creation of the necessary funds for strategic, insurance, etc. to achieve the developed strategies for growth and increase the competitive advantages of the enterprise [5].

M. Starovoitov and P. Fomin tend to approach the system in determining the financial strategy, namely, they define it as a complex multifactorial model of actions and measures necessary to achieve the set perspective goal in the general concept of development in the part of formation and use of financial and resource potential of the company [6].

The most complete and thorough, in our opinion, is the definition of I. Blanc, who believes that the financial strategy is one of the most important types of functional strategies of the enterprise, which provides all the main directions of development of its financial activity and financial relations by forming long-term financial goals, choosing the most effective ways of their achievement, adequate adjustment of the directions of formation and use of financial resources when changing environment conditions [7].

The financial strategy as a specific financial tool has a number of features:

- 1) its main task is to outline the priority areas of activity, justify the feasibility of implementing key projects and programs that will help to maximize the company's profit and increase its market value;
- 2) it is developed under the conditions of incomplete information, therefore, it does not allow to accurately predict the future state and possible changes in the internal and external environment, and therefore is characterized by significant variability of strategic decisions;
- 3) it is the basis and plan of action for improving the efficiency of the enterprise for the long term.

The deepening of market transformations, the development of integration processes and the increasing variability of the factors of the external financial environment cause the formation of such a financial strategy, which depends on the ability of the company to effectively realize the economic potential, may use its financial resources, identify trends in the development of financial condition and promising the financial opportunities.

Among the main tasks of financial strategy formation it is expedient to allocate:

- identification of ways to conduct the successful financial policies and use the financial resources;
- definition of promising the financial relations with business entities, budgets, banks and other financial institutions;
- financial support of operational and investment activity in the future;
- studying the economic and financial capabilities of potential competitors, developing and implementing measures to ensure the financial stability;
- development of ways to exit the crisis situation and management methods under the conditions of the crisis state of enterprises [3].

The financial strategy as part of the overall concept of the entity's development has the following characteristics:

- provides the coverage of all major areas of development of financial activities and financial relations of the entity;
- forms the specific financial goals of the long-term development of the entity;
- focuses on the choice of the most effective ways to achieve the financial objectives of the entity;
- takes into account and adequately responds to changes in the external conditions of the financial entity of the entity;
- promotes adaptation to changes in the environment through adjusting the directions of formation and use of the financial resources of the subject of management [8].

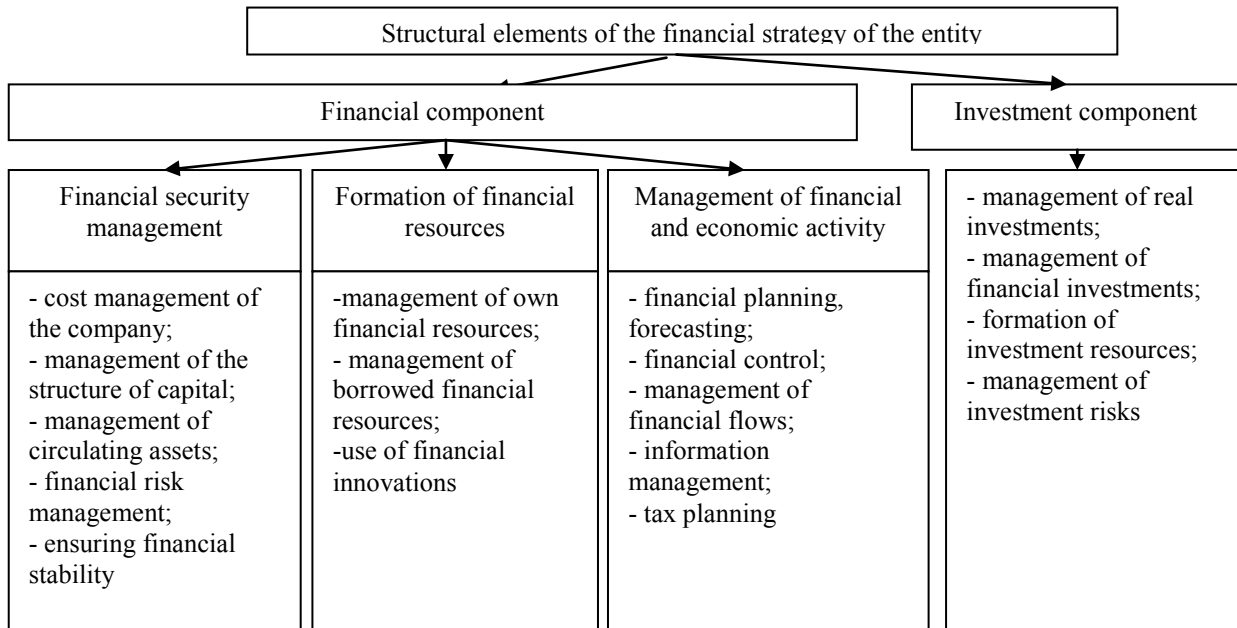
The formation of the financial strategy for ensuring the development of an entity is a consistent implementation of a series of interrelated stages, namely:

- definition of the general period of the financial strategy formation;

- analysis of the environment;
- assessment of the strengths and weaknesses of the entity;
- planning directions of development;
- formation of strategic goals of the financial activity;
- formation of a financial strategy;
- development of target strategic norms of the financial activity;
- ensuring the implementation of the financial strategy;
- control over the implementation of the financial strategy.

Each of these stages is a system of actions consisting of a set of interconnected elements, and may be implemented using various methods. The quality of the company's financial strategy depends directly on its level of validity, as well as on the completeness of the consideration and assessment of the factors on the basis of which it was developed.

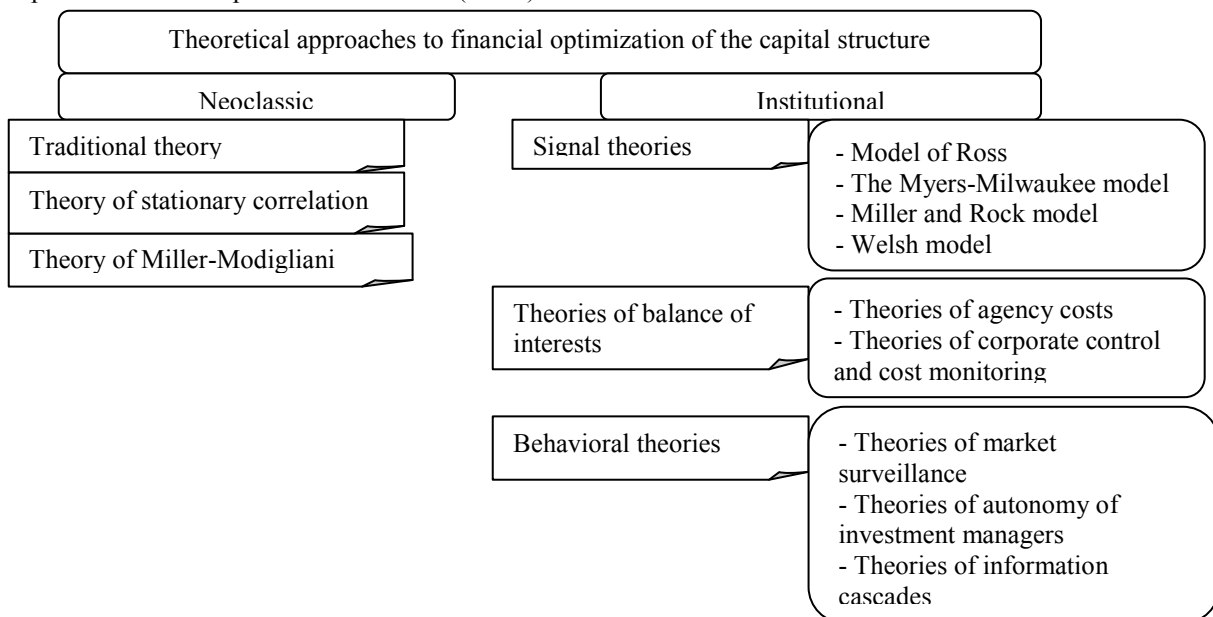
Structural elements of the financial strategy of the entity in the context of the main directions of its financial and economic development are presented in Pic. 1



**Pic. 1. Financial elements of the financial strategy of the entity** [author's development].

The most important indicator and criterion of the effectiveness of the financial strategy that is formed in the process of implementing the strategic decisions and alternatives is the cost of capital.

The classification of the main theoretical approaches to optimizing the financial structure of capital of corporations can be represented as follows (Pic. 2):



**Pic. 2. Main theoretical approaches to financial optimization of the capital structure** [9, p. 262]

In financial practice, when determining the target capital structure, a combination of different theoretical approaches is used that take into account the variability of certain determinants. As it is noted in the works, the general results of econometric studies combine financial managers with various theoretical models, taking into account the variability of factors that determine the financial structure of capital, and guided by their experience and intuition [9, p. 262]. In Ukrainian conditions, according to many researchers, it is also necessary to take into account the transitive specificity, which affects the formation of factors that influence the formation of the financial structure of the capital of domestic corporations.

Methods of the financial strategy are divided into general and special.

It is expedient to include the following in general methods:

- self-financing;
- lending;
- financial analysis;
- settlement system;
- self-sustainability;
- self-financing;
- commercial calculation;
- strategic financial planning.

It is expedient to attribute to the special methods: financial responsibility; placement of insurance reserves; coverage of own funds with assets; settlement of losses; insurance.

The tools of the financial strategy for the development of business entities are programs and projects, financial policy, financial restructuring, financial support of competitive advantages, information provision, interim agreements, alliances, diversification, globalization, legal tactics.

The main task of the subject of development and implementation of the strategy is to find the balance of the application of the listed methods, tools and approaches, which not only will save labour and financial resources, but will also enable the company to obtain more accurate data on future trends in the development of the external and internal environment and to form based on the optimal financial development strategy.

Conclusions. The dynamics of social transformation leads to certain changes in the economy of each country, including in the financial sphere. Any entity will also be subject to such changes. Therefore, the ability to react timely and adequately to external bad factors in a market environment, such as the financial crisis, political instability in the state, changes in tariffs for import and export operations, or amendments to tax legislation, etc., are the key to the successful functioning of the entity in the market. High competitiveness, solvency, financial sustainability and profitability of an entity are attained through proper financing of assets, expenses, investments, working capital, short-term and long-term profit, planning of key financial and economic indicators for the current period, and for perspective. The unity of these components forms the financial strategy, the basis and the starting point of financial management of the enterprise.

A competently built financial strategy for the development of a business entity allows not only to provide the enterprise with financial resources and optimize risks, but also to define a package of strategic goals for its further effective development.

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