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STRATEGIC PLANNING IN ENTERPRISE PRODUCTION MANAGEMENT

The article analyzes the practical aspects of strategic planning within production management. As a result of the analysis the basic functions, methods, principles and features of production management are revealed. Key directions in strategic planning of production processes management are determined.

Keywords: production management; strategic planning; enterprise management.

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СТРАТЕГІЧНЕ ПЛАНУВАННЯ У ВИРОБНИЧОМУ МЕНЕДЖМЕНТІ НА ПІДПРИЄМСТВІ

У статті проведено аналіз практичних аспектів стратегічного планування у виробничому менеджменті господарюючих суб'єктів. У результаті аналізу виявлено основні функції, методи, принципи та особливості виробничого менеджменту. Визначено ключові напрямки стратегічного планування в управлінні виробничими процесами.

Ключові слова: виробничий менеджмент; стратегічне планування; управління підприємством.

Рис. 2. Табл. 1. Літ. 11.

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СТРАТЕГИЧЕСКОЕ ПЛАНИРОВАНИЕ В ПРОИЗВОДСТВЕННОМ МЕНЕДЖМЕНТЕ НА ПРЕДПРИЯТИИ

В статье проведен анализ практических аспектов стратегического планирования в производственном менеджменте хозяйствующих субъектов. В результате анализа выявлены основные функции, методы, принципы и особенности производственного менеджмента. Определены ключевые направления стратегического планирования в управлении производственными процессами.

Ключевые слова: производственный менеджмент; стратегическое планирование; управление предприятием.

Introduction. Production management is one of the most widely spread functional areas of management activity in all sectors of economy. Efficient performance of any economy entity related to creation of material assets or products suggests, first of all, proper quality of production processes management.

Over the last few years, theory and practice of production processes management at Russian enterprises have been subject to rapid and significant changes, determined by objective shifts in competitive corporate environment and development of internal production factors — improvement of production technologies, information systems and equipment.

Meanwhile, under the current economic conditions, it is precisely strategic planning, which allows a company achieve its competitive edge, survive in the long term while accomplishing its targets. In this connection, conducting the analysis of strategic planning in production management appears to be especially critical these days.

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Recent research and publications analysis. A number of Russian and foreign researchers and specialists have made a considerable contribution to the theory and practice of corporate management, models and mechanisms of production management: D.A. Aaker (2007), G.L. Azoev and A.P. Chelenkov (2000), E.A. Babushkina et al. (2008), K.V. Baldin et al. (2011), I.B. Gurkov (2003), A.S. Nechaev and D.A. Antipin (2014), Y.B. Rubin (2003), A. Smith (2009), A.S. Shapkin (2003), A.Y. Yudanov (2001). However, studies undertaken by these researchers do not dedicate sufficient attention to analyzing the significance of strategic planning for production.

The aim of the present study is to investigate the practical aspects of strategic planning in production management of business entities.

Key research findings.

Specific features of production management in contemporary economic conditions.

Several researchers (Baldinet et al., 2011; Babushkina et al., 2008) believe that production management may be represented in a general form as follows (Figure 1).

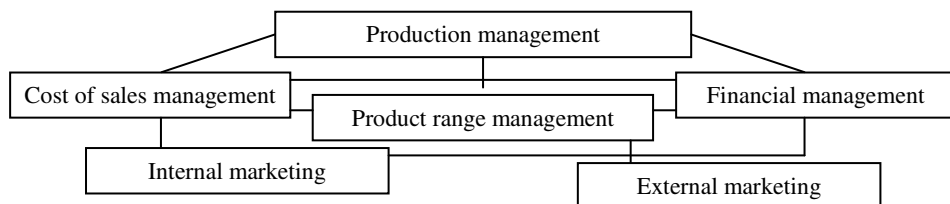


Figure 1. **Key areas of production management**, compiled by the authors

Specific features of production management are manifested in its main functions, methods and principles as listed in Table 1.

Table 1. **Key functions, methods and principles of production management**, compiled by the authors

Functions of production management	Methods of production management	Principles of production management
Planning	Organizational	Scientific character in combination with the elements of art
Organization	Administrative	Purposeful nature of management
Coordination	Economic	Functional specialization in combination with versatility
Motivation	Social and psychological	Coherence of management processes
Control		Optimal combination of centralized regulation of the controlled subsystem with its self-regulation
		Consideration of personal features of staff and social psychology
		Provision of alignment among rights, obligations and responsibility
		Provision of general involvement of all management participants in accomplishing corporate goals
		Provision of multi-aspect competitive environment for management participants

It is apparent that while implementing the planning function, based on profound and multilateral analysis of external and internal environment, the entrepreneur formulates corporate goals and tasks, develops action strategy and builds required plans and programs.

The implementation of developed plans, formation of corporate structure, management system, support for company's operations with necessary documentation and organization of production processes properly belong to the organization function. Functions of coordination, motivation and control remain equally important though.

All of the above functions constitute a single whole. At the same time, the implementation of these functions occurs with the use of particular methods, i.e. organizational, administrative, economic, social and psychological ones.

Beyond doubt, the efficiency of this activity largely depends on the extent of its correct organization: including proper planning, targeting, regimenting, assignment of norms, provision of all necessary instructions, which govern staff actions in various situations. Therefore, organizational methods of management precede the activity itself by creating necessary preconditions. In this way, they are passive methods, which constitute the basis for the 3 remaining groups of active methods.

As for administrative methods, it is worth noting here that in practical experience they are implemented in the form of particular tasks without options, which provide for minimum independence of an executor, causing the entire responsibility remain with the manager giving an assignment.

In their turn, economic methods of production management suggest indirect impact onto the object. These methods are based on economic involvement of staff members in results of their labor.

Social and psychological methods run down to two main directions:

- firstly, building a favorable moral and psychological climate among staff, thus promoting higher commitment in works performance through better attitude;
- secondly, development of individual capacities for each staff member, to provide the maximum self-fulfillment within production processes order.

It should be noted that the abovementioned methods are implemented in accordance with particular principles, only the most important of which are reviewed here.

The object of production management is production itself and production systems. The structure of production system is an integrity of elements and their stable links providing the stability for the system overall and its intrinsic identity, i.e. the ability to maintain key features of the system under various external and internal changes.

Therefore, production system suggests the existence of external and internal environment, as well as feedback between the two. Components of external environment, which affect the stability and efficiency of enterprise functioning including macroenvironment (international, political, economic, sociodemographic, legal, ecological, cultural domains) and microenvironment (competition, consumers, suppliers, legislation related to taxation and foreign trade), infrastructure of the region (banks, insurance and other financial institutions, industry, public healthcare system, science and education, culture, trade, catering, transport and communications etc.).

Components of internal environment include the target subsystem (the quality of manufactured products, resource saving, product sales, occupational health safety, environment protection); support subsystem (resource, information, legal and methodological support); manageable subsystem (R&D, planning, organizational and technical production preparation); managing subsystem (managerial decision-making, operative management of decision implementation, HR management).

Strategic planning as the basis for efficient corporate production management.

Strategic planning is based on the adherence to certain principles, among which of a critical importance are, first of all, the coherence of strategic and tactical plans; social orientation of a plan; ranking planning objects according to their significance; the adequacy of planned indicators; congruence of the plan with the parameters of external environment of the management system; variability of plan; equilibrium of plan; economic justifiability of plan; planning system automation; support for planning system's feedback communication.

As it is widely known, several main plans are distinguished. These include: strategic, long-term, business plans, current, operational plans and investment projects.

Within the framework of this study, we analyze the essence and the significance of strategic corporate planning. As known, strategic plan is generally developed for 10–15 years. It is expected to reflect on key tasks with attributable time and resources, and a general strategy to be adhered to in the accomplishment of company's goals.

It should be noted that the overall forecasting and planning of corporate activity is a complicated multistage and intuitive process, which includes solving a wide range of social, economic, research and technical problems. This calls for the use of the most diverse methods, e.g.: expert evaluation method, historic analogy and forecasting based on forecast extrapolation, economic analysis and other economic and mathematic methods.

Overall, the essence of strategic planning is composed of the development of appropriate indicators, which reflect the contents of social and economic processes. At the same time, all indicators of a plan can be classified into established and estimated ones; quantitative and qualitative, absolute and relative, natural and cost-based. As a rule, indicators to be taken into account include commercial product growth rate; manufacture of product in natural expression; volume of sales; key tasks of technical research programs in development, deployment and implementation of new equipment; specific weight of supreme quality products in the overall production volume and many others.

Special significance for strategic planning within production management must be dedicated to organization of strategic planning work, which, in the most general approach, is manifested as reprocessing the input of the planning system into output upon completion of corporate tasks.

The process of strategic plan development includes in several stages. First an integrated analysis of the existing problems is required. Planning system is formed, and norms of competitive advantage of planned object and other relevant requirements are approved on this basis. Further actions include managerial decision-making, as well as execution, approval and validation of the developed plan. Further actions are related to the implementation of the adopted plan, including delivering

planned tasks to their executors, coordination of implementation; control and monitoring of completion of specific planned tasks and parameters.

Key areas of strategic planning in production management are summarized in Figure 2.

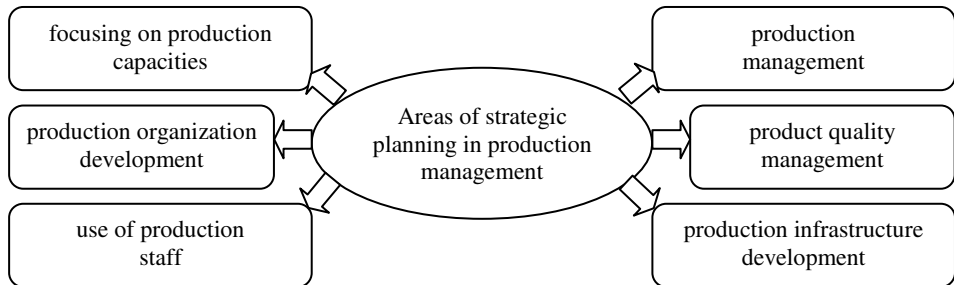


Figure 2. Key areas of strategic planning in production management, compiled by the authors

After this strategies of a company may be classified into base strategy, production allocation strategy and production organization strategy. The essence of base strategy lies in balancing production capacities of the workforce with the volume of product output. The main condition for efficient strategic planning under these circumstances is the consideration of such factors as: technical level of production process and opportunities of equipment upgrade; qualification potential and the level of labor resources availability for production; the ability of rapid equipment change-over and other necessary actions related to changes in structure, scope and schedule of production orders execution.

As a rule, 3 alternatives of base production strategy may be found. Firstly, full satisfaction of existing demand. Stock of product must be kept to a minimum, while production costs may be high due to continuous variation of production volumes.

Secondly, product manufacturing may be based on the average level of demand, by accumulating the stock of product at the time of demand decline and satisfying market demand through these accumulations.

Thirdly, product manufacturing may be based on low demand, which means that company produces products missing from the product range of competitors or partner companies.

The strategy of production allocation is normally developed for larger enterprises, which have extensive internal corporate specialization and cooperation. Various factors must be taken into account while developing an allocation strategy, primarily – economic, sociopolitical and geographic factors. The following factors appear to be the most critical ones:

- distance branch and associated transportation costs;
- qualified workforce in a company;
- existing sources of raw materials and sales markets;
- economic benefits offered by regional administration.

As for production organization strategy, the following remarks should be made. The distinctive feature of contemporary approach to the development of production organization strategy is the recognition of the need for "customer orientation". A cus-

customer-oriented production organization strategy is defined as follows: the volume of manufacture, product range, quality and time are established on the forecasts of future consumers of goods.

Production organization strategy is implemented through the development and implementation of the following 3 main programs: production synchronization program, the program of material flows control within an enterprise, program for improvement of company's organizational flexibility.

Production synchronization program determines the integrity of actions in organization of a production system, which promptly reacts to changes in consumer demand. In this case, the range, scope and timing of manufacturing are determined by customers; arrival of parts is synchronous (simultaneous) with production, while production is synchronous with installation. This program provides the accomplishment of the following tasks: determination of synchronization methods for particular stages and works, establishing forms and rules for synchronized production, generation of strategic alternatives.

The program of material flows management within an enterprise characterizes the set of interrelated works targeted to form an integrated system of materials flows management. Its implementation suggests the development of a logistics approach to production organization and management; justification of principles and development of production logistics system; determination of functions and development of the end-to-end material flows management, encompassing the stages of materials procurement, production and product sales.

The program for enhancing organizational flexibility of production characterizes the integrity of actions to establish and interrelate organizational, technical and economic solutions associated with flexible production. Development of this program is related to the process of decision-making with regard to practical implementation of measures to improve system's flexibility, suggesting the following: determination of the main forms of manifestation of organizational flexibility and the areas of its improvement; development of methodological approach to its assessment, analysis and system flexibility planning, and formation of flexible production (Nechaev and Basova, 2013).

By no means less important is the adherence to the main principles of strategic planning in production management. These include: scientific rigor, purposeful nature, flexibility, integration.

Development of long-term corporate strategies and performance of strategic analysis must be targeted at the accomplishment of company's main mission. At the same time, constantly changing environment conditions involve the adjustments to decisions made previously and their review at any time, in accordance with new circumstances. In this connection, it is necessary to adhere to the principle of flexibility in strategic planning.

The efficiency of current activities of a company largely depends on the extent of coherence and close interrelation of decisions made at various levels. This unity is accomplished through consolidating strategies of each structural division of the enterprise, and alignment of plans drawn up by all functional departments.

Conclusion. Therefore, operational efficiency of any enterprise regardless its ownership form and areas of activity is largely determined by the efficiency of strate-

gic planning. In this context the opportunity to establish proper conditions to promote the implementation of developed strategies acquires high significance. Nevertheless, the existence of a strategic plan per se does not automatically guarantee its successful implementation. In the framework of strategic management, the company should create organizational conditions for implementation of programs and plans, including building a solid organizational structure, the development of a motivation system, as well as improvement of management system efficiency.

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