

THE MECHANISM OF A STRATEGIC PARTNERSHIP WHILST
FORMING THE STRATEGY FOR THE DEVELOPMENT
OF THE INVESTMENT AND CONSTRUCTION SECTOR

Principles of the strategy's formation for the development of the investment and construction sector are grounded. Mechanism of strategic partnership in shaping the strategy of the investment and construction complex is defined.

Keywords: investment and construction sector, mechanisms, systems, strategic partnership, development strategy, formation.

Панін А. Г. Механізм стратегічного партнерства при формуванні стратегії розвитку інвестиційно-будівельного комплексу

Обґрунтовано принципи формування стратегії розвитку інвестиційно-будівельного комплексу. Визначено механізм стратегічного партнерства при формуванні стратегії розвитку інвестиційно-будівельного комплексу.

Ключові слова: інвестиційно-будівельний комплекс, механізм, принцип, стратегічне партнерство, стратегія розвитку, формування.

Панин А. Г. Механизм стратегического партнерства при формировании стратегии развития инвестиционно-строительного комплекса

Обоснованы принципы формирования стратегии развития инвестиционно-строительного комплекса. Определен механизм стратегического партнерства при формировании стратегии развития инвестиционно-строительного комплекса.

Ключевые слова: инвестиционно-строительный комплекс, механизм, принцип, стратегическое партнерство, стратегия развития, формирования.

Introduction

The problem of improving the system of government investment-building complex is not a new issue for domestic and foreign science and practice. This problem involved many famous scholars and experts. However, the question of a systematic approach to its solution, which takes into account the peculiarities of the investment and construction activity and socio-economic conditions of compatible and efficient operation, is well-developed as for today.

Analysis of recent research

A significant contribution to the solution of general and sectoral development issues of investment-construction complex made such national scientists as: A. Amosha, V. Averyanov, N. Alexandrova, O. Andriyko, V. Bakumenko, P. Belenky, E. Boyko, Z. Varnaliy, V. Geytsa, B. Danylyshyn, M. Dolishniy, J. Zhalilo, B. Kozik, M. Kozoriz, E. Krykavskyy, D. Lukyanenko, Y. Makogon, N. Mikula, A. Moki, M. Zwick and others.

Statements of research objectives

– to justify the principles for the development of the strategy of investment and construction industry;

– to identify the mechanism for a strategic partnership in the formation of investment strategy-building complex.

Results

The state management in the changing market environment should have two main areas: the current regulation and the management of a strategic change (the change of industry and technological structure of the economy, an increase of competitiveness, the change in the structure of import-export).

This change in strategy is a combination of two processes: state governance (through legislation, taxation, protection of domestic market, the regime of depreciation, interest rate, national currency) and strategic planning in most companies (micro level). The development strategy should be created taking into the account the macro parameters of the government (or their long-term forecast) and the specificity of transition economies [3, 4]. During the development of the strategy the following substantive steps are distinguished:

Stage 1. Analysis (diagnosis of the region, the study of external and internal factors affecting the development, SWOT-analysis)

During the phase of an analysis the scenario approach is being commonly used. There are two types of scenarios.

The scenarios of external conditions. Are based on hypotheses about the polar development of a number of external factors that are beyond control. These scripts allow:

- a) to form an idea of the opportunities and threats to development more productive;
- b) to inspect projects and priorities on the subject of stability and riskiness under different variants of changes in external conditions.

Scenarios of development under the dominance of particular function or industry. These scripts allow us to better understand the socio-economic impacts of projects which are orientated on the development of certain activities.

For each scenario advantages, disadvantages and risks must be specified.

The end result of the analysis phase leads to:

- Formulating hypotheses about the possible directions of development, allowing the maximum use of the strengths and determine the future of the country, region, city, etc.
- Identifying the most critical problems that hinder the development;
- Nominating several formulations of the strategic goal for the coming period.

2nd stage. Goal-setting (determination and approval of the main objectives, key strategic directions, goals).

The choice of priorities is based on the results of analysis taking into account the maximum impact on achieving the main goal set out at minimal cost.

Typically, strategic directions should facilitate the implementation of competitive advantages in the region. The recommended number of areas is 3-6, goals – 10-15; projects – 20-40. Naturally formed are the following areas:

- An improvement of general conditions for business;
- The development of certain groups of sectors and industries;
- The development of infrastructure;
- A reform of urban public services (municipal services, social sphere).

The more specific the strategic directions are the better it is. The strategy should maximum tied to a place and time. Brief and specific strategy that includes a small number of areas and projects that really gives a strong impetus is much better than a long and amorphous one.

During the development of strategies it is appropriate to move from areas to the project, but if you cannot quickly identify and confirm the direction, you can focus on the initiation and selection of projects, which are then grouped by areas.

In order to ensure consistent decisions on the selection and inclusion of strategies to particular activities or projects some formalized procedure can be implemented. The right decision is delegated to the Executive Committee or a special panel of experts. With that the methods of pair wise comparisons, element wise evaluation and ranking are being used.

The selection of projects cannot be based on one (even the most complex) formal criterion. Decisions should be made taking into account many different characteristics of the project and its participants with quantitative or qualitative characteristics. State, regional and local authorities, while deciding upon investment, are guided by the existing system of priorities (priority objectives) which are issued in specific tasks and are a priority at this time interval.

An evaluation and selection of the investment projects for funding from the budget and borrowing are based on three groups of indicators that reflect [5]:

- Social cost-effectiveness;
- Budgetary cost-effectiveness;
- The efficiency of budgetary resources and private investment in the project.

Evaluation of the effectiveness of social investment project is based on the expert level for solving social problems [2]. This takes into account the following indicators:

- Employment growth;
- Improvement of living and cultural conditions of the population;
- Improvement of medical services;
- Change in reliability and quality of public service enterprises and certain types of goods and services (fuel and energy, utilities for infrastructure projects);
- Improving the environment;
- Improvement of transport infrastructure;
- Restoration and reconstruction of architectural ensembles and individual monuments, land improvement;
- Other social indicators which are meaningful for individual projects.

Fiscal efficiency characterizes the profitability of investment (reducing costs and increasing revenues, return on budgetary expenditure). It is

necessary to distinguish between revenues from the project through direct and indirect sources. The former includes income from rental, transfer in trust assets from the sale of goods and services, interest income. Revenues from indirect sources reflect associated with the project proceeds to the local budget, including: tax revenues, license fees, fees for the use of natural resources, reduction of budget expenditures, subsidies and other income.

The analysis of budget effectiveness involves the comparison of budget revenues and expenditures due to the participation in the project, with mandatory discounted cash flows. Tools to analyze the budget and economic efficiency of investment projects are: the discounted net income, internal rate of return etc.

Finally the analysis of efficiency of budgetary resources and private investment is based on indicators such as private investment multiplier (the ratio of the capital to the private investment unit of government investment), the share of funds required for the project, which are used to purchase technology, materials, raw material.

One of the tools for the discussion and final selection of decisions can be a conference, during which the participants are given the opportunity to discuss, vote, and fill in the assessment sheets. The organization of this conference on the model of a «carousel» allows its participants to create small groups, to view their projects in detail, which provides an objective basis for the formation of the final texts by the experts.

If the opportunity to hold a conference is missing, a team of experts (5-15) and people from the presentation of projects can be gathered in order to fill in the evaluation sheets.

3rd stage. Planning (the formation of sub strategies for the achievement of goals in each direction and the selection of measures, responsibilities for implementing the strategy)

Strategic planning is a special kind of management which exists to develop strategic solutions that provide the nomination of these goals and strategies of the behavior of the management facilities, implementation of which ensures their effective functioning in the long run and the rapid adaptation to changing environmental conditions. Strategic planning is inherent in the following characteristics that distinguish it from the «classical» subsidized plan, which has been developed in pre-reform period:

– The adaptive nature, meaning the ability to predict changes in the external and internal envi-

ronment of the planned facility and in view of the process to organize its effective functioning;

– Taking into account the impact of the planned object of numerous external factors that have both positive and negative effects.

We suppose that the Ukrainian modern approach towards the strategic spatial planning should be built on a existing long-term spatial planning tradition, the modernized use of modern technology and be based on the principles and methods of strategic management. The object of a strategic spatial planning in general terms is the administrative unit of the country (region, district, city to city, town, and village).

The subject of a strategic spatial planning is largely determined by the specifics of the object and is in general of multi-character. For example, in relation to the city, the core subject of strategic planning of its development is the authorities of municipal government. However, its membership includes a state component in the face of regional and in some cases public administration, the representatives of management and other business entities that have strategic interests in the development area. As the object of strategic planning of complex socio-economic development, in its capacity, in our opinion, should act all sectors and spheres of the territory, and also social processes.

Forming a strategy of the development of an investment-building complex is a complex process, implementation of which requires adherence to certain principles. It is proposed to consider the principles of: determination, sociality, comprehensiveness, consistency, adaptively, efficiency, and minimization of risks, the balance of interests, legitimacy, democracy, professionalism, the principle of «first head».

The principle of determination involves the purposeful study of strategic objectives and priorities of investment-construction complex. This principle is realized by the means of the development of a strategy, the core of which is, firstly, a set of strategic goals of building, and secondly, the strategic choice of the territory, which includes a list of priority functions (areas and activities), which are planned to be in a strategic perspective.

The principle of sociality means that during the formation of strategic goals of the development of building, mechanisms for their implementation an improvement of the quality of life of the population should be the main interest.

The principle of comprehensiveness suggests that the functional orientation of the investment-

construction complex should be organically integrated into the system of all the characteristics and factors of development. In practice, the basis of such process is usually a decision based on the Development Program for promising mid-term or long term goal. Compliance with the principle of comprehensiveness in the formation of development strategies of investment and construction industry means the consideration of priority functions that are implemented by state, regional bodies of state administration and local government, in the context of the totality projected socio-economic characteristics and factors of development. However, as noted above, as the main internal source for development can be considered structural and functional differences between specialization and complexity.

The principle of consistency is closely linked to the principle of comprehensiveness, and its compliance means that defining the strategic development and the mechanisms for its implementation should proceed while taking into account the relationships that characterize the interdependence of individual territories and states in general. The implementation of the principle of consistency suggests that during the development of a strategy for the development of investment and construction industry should be considered prerequisites and restrictions which are formed at different hierarchical levels: local (municipal), regional, interregional, national.

The principle of adaptability consists of taking into account possible changes in the environment and corresponding adjustment of the objectives, priorities and implementation mechanisms in investment and construction industry. It should be borne in mind that the current investment-building complex can be partially attributed to self-governed system that adapts to the changing characteristics of the environment through software block. This programming block is set for the construction business outside by the government system through state and regional target programs, privatization, financial stabilization, restructuring and so on. Compliance with the principle of adaptability means that the development of a strategy for the development of investment and construction industry should be done while taking into account possible changes in the environment which can make the adjustment of the objectives, priorities and implementation mechanisms. Such adjustment shall be made with minimal political, social and economic costs.

The principle of effectiveness is the need to prove that the purpose and operation of investment-construction complex can be achieved with minimal investment of resources. Adherence to the principle of efficiency in the formation of investment strategy in building complex requires proof that the exactly proposed set of goals of economic development, certain functions as a priority will ensure the necessary quality of life with the least financial costs and social costs.

Given that internal and external influences on the complex and diverse processes of investment and construction activities are mainly of probabilistic nature, the impact of risks and uncertainties in assessing the effectiveness of investment decisions must taken into account.

Adoption of the strategy in investment and construction industry is, ultimately, a responsible management solution that has certain risks. Therefore, the principle of minimizing risk means that during the formation of strategic choice different risks must be evaluated (if possible), which are caused by the implementation of various priority functions in the future. Characteristics of predicted risks should be considered in comparative analysis to strategic options of choices.

Optimal operation of investment-construction complex is impossible without a balance of interests of its participants. The problem is that the economic interests of regional business in investment and construction industry are usually multidirectional, and often also contradictory. Mechanism of the combination of these interests should be based on positioning the categories of «needs» and «interests» as objects of scientific analysis. The principle of balance of interests is meaningful and involves finding a consensus between government authorities at various levels, and professional and social groups of the population on strategic objectives and development priorities, mechanisms for their implementation.

The principle of the legitimacy foresees the mandatory consideration and adoption of the proposed options for development of investment-construction complex at appropriate hierarchical levels of management.

With the principles of legitimacy and balance of interests the principle of democracy is closely connected, which means the transparency and openness of the process and results of work on the strategy of investment-construction complex, involving consideration and review of draft scientific community and the population.

The implementation of the principle of professionalism in the formation of investment strategy-building complex provides specialized training for the participants of work, creating the necessary guidance and information base, involving the development of specialists from the system of regional management, specialized in solving specific problems, peer review organization.

And finally, quite important principle is the one of the «first head», which means compliance with «attraction» to the strategy of investment and construction of the «first person». Facing the challenge of strategic planning of investment and construction industry, of course, suggests involvement of scientists, because it is associated with a greater volume of forecasting and analytical work. However, implementation of strategic choice, comparative evaluation of strategic alternatives is the prerogative of senior management, who ultimately bears the full responsibility for the results of the implementation strategy of investment-construction complex.

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Conclusions

Thus, the development of Strategy is being created by considering the basic ideas and results of official forecasts and programs. Goals, objectives and projects of the Strategy are elements of planning for all participants in its development and implementation. So, in terms of regulatory and legal framework the investment strategy on building complex is part of a strategy of social and economic development at the state level and socio-economic development of the region at the regional level.

However, it cannot be stated about the secondary feature of the investment strategy on construction-building complex towards the relation to the strategy of development. During the development of a strategy the initial scenario conditions, including the status of fixed assets, which directly depends on the results of support of development of investment-building complex should be taken into consideration.

