Development strategy of production enterprises to ensure competitiveness and development of economic systems

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Abstract
The paper deals with the problem of determination the development strategy enterprises of the food industry in the conditions of integration and globalization processes. The problems influencing the level of global competitiveness determined. Identified key competitive advantages and their relationship with the factors of the competitive environment. This allowed distinguishing the development of strategic priorities the food industry of Ukraine to achieve competitive advantages in the context of current operation conditions. The article deals with the fundamentals of developing the strategy of enterprise economic development. In estimating the level of economic development the graphic analytical model has been suggested. The development trends have been investigated for determining the range of enterprise strategic alternatives. The typical positions of enterprises have been stated depending on the life cycle and the position on the market in order to take into account the most probable prospective trends.

Keywords: strategy, competitiveness determined, enterprise management, industry.

Introduction

Researches of local and foreign scientists considerably developed the theory of strategic enterprise management. In particular, various problematic issues of forming of the development strategy of the entities, influence of scientific and technical progress on development of the entities were described by such famous scientists as: Nezhinskaya N., Ostankova L., Frolov I., Geets V., Kuzmin I., Gardens A. Schwab L., Fedonin A., Voynarenko M. The essential contribution to development of the theory of strategic management taking into account changes of factors of the environment was made by foreign scientists Gareth B., Gibson J., Guo Sibao. Jacobs R., Kaplan V., Kuntz. Sie Chuntao. etc.

Material and methods

Forming of strategic system management at the enterprise is always based, mainly, on the choice of a certain option of strategy from several alternatives. Therefore, methods which are used when forming the development strategy of the enterprise most often rely on scenario approach which is based on the choice of the scenario of the development strategy of the enterprise from several offered on certain by criterion of the choice. Besides, methods of standard decisions for widespread situations are used.

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Results and discussion

The state of the industry and the position of the enterprise in the industry play a crucial role in choosing a growth strategy. Leading companies should strive to make the most of their opportunities and to strengthen their position in the industry. Weak companies need to choose strategies that will help them consolidate their market position. If the financial condition of the company does not improve, the company will be forced to complete its activities, completing the life cycle.

Currently, the processing industry is well established, but it is currently in decline. Therefore, the development of this industry has slowed down and Ukrainian companies are forced to compete fiercely for their market positions by saving production costs in order to increase the profitability of their activities. However, as the analysis of the efficiency of processing enterprises of Ukraine showed, their profitability is low (Appendix). Total industry profits are constantly declining. The most important thing when choosing a strategy is the question of whether it is possible to predict the speed and duration of further decline.

The enterprises of the processing industry of the agro-industrial complex of Ukraine have a number of advantages, the main of which is the established technological process, which provides the opportunity to save production costs. Therefore, it is necessary to combine a strategy of low costs with a strategy of stabilizing profits. The industry also has close relationships with regular customers. The peculiarity of raw materials for processing enterprises allows flexible use of available resources and diversification of products without significant investment costs.

In order to choose the optimal strategy for the development of processing enterprises, it is necessary to take into account the unsatisfactory financial condition of the management facilities, which may make it impossible to implement some strategies. The choice of strategy is also influenced by even minor changes in the behavior of the enterprise, which may require significant financial costs. Therefore, businesses with strong financial resources have the opportunity to choose their own development strategy, having a wide choice among their many options (focus, differentiation, competition, etc.), each of which may differ from each other in many respects: specialization, brand recognition, sales through the network or through direct sales, choice of wholesale and retail sales channels, product quality, technological leadership, vertical integration, service, pricing policy, leverage, etc. These strategic directions (parameters) are interrelated (Burkinskiy B.V., & Lysiuk V.M., 2018).

Based on the existing strengths and weaknesses of the agro-industrial processing enterprises, we have identified proposals for their development and possible risks that will negatively affect the future financial condition. Suggestions for improving the development of the enterprise:

- to promote the interest of foreign investors in Ukrainian processing enterprises;
- to promote the creation of clusters of the processing industry of the agro-industrial complex of Ukraine;
- to introduce modern latest technologies in production and management processes;
- strengthen the investment image of Vinnytsia region;
- reduce the cost of obtaining and servicing loans for processing enterprises;
- to promote the purchasing power of the population of Vinnytsia region;
- diversification of production activities of sugar, meat, dairy and alcohol industries;
- implementation of state programs for the production of environmentally friendly products, biofuels, alternative energy sources;
- develop programs for restructuring real processing enterprises;
- create favorable conditions for increasing the production of agricultural raw materials for enterprises of the processing industry of the agro-industrial complex;
- introduce state support for agricultural production (depending on climatic conditions, raw material base, etc.);
- expansion and modernization of production of alternative energy sources;
- growth of consumer demand for products of the processing industry;
- introduction of conditions for the maintenance and attraction of qualified labor resources to the processing enterprises of the region (Reshetilo V.P., Stadnik G.V., & Ostrovskiy I.A., 2013).

Having studied the state aspects of the regulation of the processing industry, we single out the factors of the negative impact of the development of the processing industry of Ukraine:
- instability of the legislation concerning the processing branch of Ukraine;
- making ineffective management decisions on the use of state property;
- lack of state support for innovative implementations by processing enterprises;
- change of state priorities to stimulate the development of certain branches of the processing industry;
- imperfection of the credit system;
- disorder of the standardization system and inconsistency of domestic standards;
- rising energy prices;
- problems with the development of marketing infrastructure of food markets;
- changes in the structure of agricultural production in favor of farms, population;
- inability to predict the exchange rate and price growth.

The essence of the company's choice of strategy is to determine the direction of development of many alternatives, which corresponds to the financial capabilities of the enterprise and its state in the industry.

Analyzing the different classifications of strategies of leading foreign specialists in strategic management, as well as the matrix of I. Ansoff, McKinsey-General Electric and Arthur D. Little, we can distinguish a set of strategies for the development of economic entities. We classify these strategies by areas of activity of processing enterprises (table 1).

### Table 1. Classification of strategies by areas of activity of processing enterprises

<table>
<thead>
<tr>
<th>№</th>
<th>Type</th>
<th>Name of the strategy</th>
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| I | Strategies that affect the state of the target market | 1) increase market share  
2) maintaining market share  
3) rapid growth of market share with increasing production  
4) market expansion - market development strategy, search for new markets, new market segments for already mastered goods  
5) market expansion strategy |
| II | Strategies that affect the state of the occupied market niche | 1) the maintenance of the market niche  
2) search and protection of a market niche  
3) operation of a market niche |
| III | Strategies that affect the financial and economic situation | 1) leadership in prices  
2) leadership in prices in an important market  
3) low cost strategy (economies of scale, cheap raw materials and labor, high production efficiency)  
4) profit stabilization strategy (reducing the cost of research and development, advertising, etc., can be useful in the short term) |
| IV | Competitive development strategies | 1) maintaining a competitive position  
2) improving the competitive position  
3) catch up with competitors |
| V | Product development strategies | 1) product recovery  
2) commodity expansion - a strategy to develop new or improve products in order to increase sales (adding consumer characteristics of the product, expanding the product range or product range)  
3) product differentiation (product, service, image differentiation) |
Each of these strategies can be used by processing enterprises, depending on their position in the target market and the current financial and economic situation. During the financial and economic analysis, the researcher must process the information arrays in the form of a set of indicators. In the analysis of socio-economic phenomena and processes there is a problem associated with the multidimensionality of their description, which is typical in solving the problem of market segmentation, forecasting market conditions for some products and other tasks (Porter M., 1997).

Leading experts in the field of strategic management have developed a number of analytical methods and models that can be useful in making strategic decisions. Portfolio analysis is one of the tools of strategic management, which determines the position of the company in the industry and evaluates the effectiveness of economic activity. Portfolio analysis based on the BCG matrix allowed to determine the position of individual enterprises in the market in Vinnytsia region. The industry portfolio is a set of all independent enterprises operating in a particular industry. With the help of portfolio analysis it is possible to identify and evaluate the aggregate economic activity of enterprises in the industry, to identify the most profitable and promising and eliminate inefficient farms. The relative competitiveness of each individual enterprise in the common market is assessed.

The dairy industry is one of the leading branches of the national economy, which provides the population with food. The actual milk production in Ukraine is much lower than the required consumption, which affects the quality of food in Ukraine. The increase in milk production is constrained by the low profitability of livestock and the fact that the majority of the population of Ukraine is unable to buy the required amount of dairy products due to its high cost. The effective development of the dairy industry directly depends on the state of dairy farming, which, unfortunately, has seen negative trends in recent years.

Enterprises - "proposed strategies to exit the industry or merge with more successful companies. In the second cluster, the company is a "problem", which is characterized by low market share, but high sales growth. He is recommended to follow a strategy of low costs, due to unprofitable production. The following set is represented by enterprises - "dead dogs". Enterprises of this group are able to catch up with competitors, but subject to additional funding for their activities and management of investment resources. The cluster is represented by enterprises - "dogs", which worsened their position in the market in 2019 compared to 2020 (8 enterprises). The profitability of these enterprises is low, but the financial and economic situation can be considered stable. They are encouraged to implement a strategy of focusing on the target market niche. Enterprises - "milking cows" are quite successful in their activities. Enterprises in this group must maintain market share and seek
to increase production. The dairy industry of Vinnytsia region is a typical unbalanced portfolio of the industry: two companies - "cows", many "dogs", six "problem" and one "star". Such a portfolio guarantees a continued decline in production due to the possible liquidation in the future of some companies – "dead dogs". After analyzing the data, we can conclude that the dairy industry in Vinnytsia region is somewhat improved. Many start-ups show a positive growth rate of profitability, while only a few slow down sales (Susidenko YU.V., 2021).

These strategies are individual, ie should be implemented by each company separately. However, the proposed method is based on the analysis not of individual enterprises, but, first of all, on a comprehensive study of the processing industry as a whole. Therefore, some companies can be offered "collective" strategies, the main of which are merger strategies.

Merging different companies into unions will expand the market, increase the market niche, and guarantee the production of the necessary raw materials. In this case, the leading role in coordinating the activities of separate enterprises should belong to the Ministry of Agrarian Policy and Food of Ukraine. Businesses – "dead dogs" from the fourth cluster can choose a merger strategy. The possibility of merging the enterprises of the second cluster located in one settlement should also be considered.

The evaluation of the chosen development strategy should be carried out in the form of analysis of the correctness and adequacy of accounting when choosing a strategy of the main factors that determine the feasibility of the strategy. That is, whether the chosen strategy will lead the company to achieve its own goals, which is the main criterion for assessing the quality of the chosen strategy.

If the strategy meets the objectives, then its further evaluation is carried out in two directions: compliance with the strategy of the external environment, compliance with the potential and capabilities of the enterprise. The application of the results of portfolio analysis together with the financial evaluation of existing enterprises allows us to conclude that the recommended strategies are optimal. All developed strategies were initially divided into groups depending on the company's position in the Ukrainian market.

The evaluation of the enterprise development strategy should be carried out in two stages: 1) recommendations to the enterprise of any development strategy; 2) implementation of this strategy.

The developed matrix can be used to evaluate the chosen strategy of enterprise development. At the stage of its selection, the optimality of the adopted strategy of further development is determined. To solve this problem, it is necessary to compare the strategy proposed to the company with the recommended in accordance with the matrix. The analysis of the chosen strategy of the state and the requirements of the external environment checks the compliance of the strategy with the requirements of the main actors, whether market dynamics and product life cycle dynamics are taken into account, and whether the strategy will lead to new competitive advantages. By examining the compliance of the chosen strategy with the potential and capabilities of the enterprise, it is assessed how the selected strategy is related to other strategies and whether it corresponds to the capabilities of the enterprise.

If the proposed strategy is rejected vertically, it should be considered ineffective for the current state of the enterprise in the processing industry, if the deviation is horizontal - the company will not be able to effectively implement this strategy due to existing financial problems. For each group of processing enterprises, it is necessary to determine the strategy of further development. The goal is to choose a strategic alternative that can increase the long-term efficiency of the enterprise. Strategic choices must be clear and unambiguous. The evaluation of the strategy is carried out by comparing the achieved results with the set goals and can be used as a feedback
mechanism for further adjustment of the strategy. Therefore, we distinguish qualitative and quantitative criteria for evaluating the development strategy of the enterprise.

Qualitative criteria for evaluating the choice of development strategy of the processing enterprise are: use of available opportunities related to a favorable market position and stable financial and economic condition; reduction of the number of dangers caused by the deterioration of the market situation and unstable financial and economic situation; commodity differentiation; access to new markets.

Evaluation of the strategy according to qualitative criteria should be carried out by logical analysis with the involvement of a group of experts who are able to generate expert assessments of the future development of the enterprise when choosing a strategy.

Quantitative criteria for evaluating the choice of enterprise development strategy are: increasing the market niche; sales growth; the level of production costs; profitability of production and sales; net profit; increase in liquidity of the enterprise;

At the stage of strategy implementation, the evaluation of the choice made should be carried out using the proposed system of indicators for assessing the financial and economic condition of the enterprise. The growth of profitability of sales, increasing liquidity and accelerating the turnover of assets indicates a strengthening of the company's position in the processing industry. The improvement of the main financial ratios indicates the successful selection of the optimal strategy and the effectiveness of its implementation. Constant monitoring of the values of the recommended indicators will allow to control the process of implementation of the chosen strategy.

In order to select the most important factors of competitiveness of processing enterprises, we took into account: 1) developed principles of fundamentality, optimality and complexity; 2) with the help of competitiveness factors to optimize the main business processes at the enterprise; 3) the impact of each of them on the competitiveness of the enterprise. Most of the factors selected for the study are due to significant differences in organizational structures, management structures and business processes at agricultural enterprises in the processing industry of Vinnytsia region.

Summing up, it can be noted that the system of intra-firm motivation, based on the contribution of human potential, creates intra-firm competition both between individual employees and between departments. The psychology and economic behavior of employees is changing. They begin to realize that there can be no guaranteed income, it all depends on the competitiveness of the enterprise, their products, sales, and, consequently, from themselves. All this has a positive effect on the competitiveness of the enterprise.

Our proposed measures constitute a strategy to increase the competitiveness of processing enterprises in Vinnytsia region. The purpose of the strategy is to create favorable conditions for the investor to invest in the subcomplex. Achieving this goal, in our opinion, is possible only if the subcomplex as a whole will create conditions conducive to its dynamic development through the efficient use of funds invested in it. To do this, in our opinion, it is necessary to implement our proposed system of strategic measures, which should promote the joint development of agricultural and processing enterprises, the pursuit of the latter to a common goal - to increase their joint competitiveness.

Thus, the strategy of increasing the competitiveness of processing enterprises, we understand a system of strategic measures, the comprehensive implementation of which will create conditions for cooperation between agricultural and processing enterprises, which will ensure the unity of purpose and, consequently, the inflow of investment in the subcomplex. will create favorable conditions for increasing the competitiveness of enterprises.
Thus, the system of strategic measures developed by us can be presented in the form of a strategy to increase the competitiveness of manufacturing enterprises (table 2) (Susidenko Y.U.V., 2021).

### Table 2. Strategy to increase the competitiveness of manufacturing enterprises for 2021-2031

<table>
<thead>
<tr>
<th>Stage</th>
<th>Years</th>
<th>Priority strategic measures to increase the competitiveness of manufacturing enterprises</th>
<th>Purpose of the event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2021 -2025</td>
<td>Adoption at the regional level of the concept of increasing the competitiveness of manufacturing enterprises and relevant regulations</td>
<td>Creation of budget (at the regional and state levels) funds to stimulate the development of processing enterprises with the definition of conditions for the provision of budget funds, taking into account the ultimate goals of the concept – increasing the competitiveness of processing enterprises</td>
</tr>
<tr>
<td>2</td>
<td>2025 -2026</td>
<td>Establishment of territorial agricultural companies</td>
<td>Consolidation of property and activities of agricultural organizations and separation of activities not related to the processing industry</td>
</tr>
<tr>
<td>3</td>
<td>2026 -2028</td>
<td>Introduction of the system of inter-organizational competitive relations</td>
<td>Motivation of agricultural enterprises to expand business and transition to an industrial basis for the production of processing products</td>
</tr>
<tr>
<td>4</td>
<td>2028 -2030</td>
<td>Creation of associations of processing industry enterprises</td>
<td>Increasing capitalization and joining the management by repurchasing the issue of shares of the initial public offering of strategic investors - processing enterprises</td>
</tr>
<tr>
<td>5</td>
<td>2029 -2031</td>
<td>Introduction of the system of intra-firm competitive relations in associations of enterprises of processing industry</td>
<td>Improving the efficiency of the use of domestic resources in associations of processing enterprises; creation of a transparent financial and balanced management structure; attracting an institutional investor to the processing industry through the sale of an additional issue of shares</td>
</tr>
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</table>

Source: Susidenko Y.U.V. (2021) Marketingovyye instrumenty i osobennosti brend-menedzhmenta v Ukraine

The economic effect of the strategy to increase the competitiveness of manufacturing enterprises, in our opinion, will be expressed in increasing production by agricultural enterprises, its marketability and profitability.

### Conclusions

Our research shows that the complexity of the implementation of our proposed strategy to increase the competitiveness of the processing industry of the region is due to its multicomponent, complexity and recommendatory nature. To solve this problem, we have developed a mechanism for implementing a strategy to increase the competitiveness of manufacturing enterprises. The mechanism is a system of measures and those responsible for their implementation. Measures are grouped by elements depending on the sequence of their implementation. In total, four elements of the mechanism are provided: analytical-consulting, organizational-implementation, motivational-monitoring and monitoring-control.
References


