The Mechanism of the Industrial Enterprise’s Strategy Development Formation

Oleksandr Kundytksyj, Mariana Vykliuk, Natalia Kovalenko, Igor Cret

Abstract: Theoretical and applied aspects of the mechanism of the industrial enterprise’s strategy development formation, are investigated. Based on the presented scientific achievement towards the enterprise’s strategic development formation concept, done a systematication of the existing scientific approaches towards considering the investigated concept from the point of view of different objects, in particular: systematic approach, functional approach, hierarchical approach, process approach, system-target approach, system-structural approach. Taking into account the specifics of the listed approaches, it is noted that the most rational in the current conditions of the industrial enterprises’ functioning is the use of system-structural approach. Presented the mechanism of the industrial enterprise’s strategy development formation, based on the proposed approach, as a systematic algorithm of actions, that allows on the basis of strategic management to determine the mission, goals and tasks of the enterprise, to develop the main strategic directions and measures of its development in conditions of dynamic change of the external environment at optimal use of the all enterprise’s available resources. Defined the business entity’s targeted areas of work, according to which the process of development and selection of the strategy’s development type, including: strategic plans, tactical plans and operational planning, should be carried out. There are five levels at which the industrial enterprise’s strategy development is developed: corporate level, business level, functional level, technical level, operational level, and modular level. The purpose, toolkit, factors and methods of realization diagnostics of the industrial enterprise’s strategy development are grounded. It is noted that the process of implementation of the enterprise’s strategy development and control over its implementation predicts the practical implementation of the following measures: defined plans and taking measures aimed at the implementation of the made enterprise’s strategy development; monitoring the progress of the implementation of the strategy’s development and determining the need for its adjustment; evaluation of the strategy’s implementation and taking into account the implementation’s disadvantages by developing the next strategy or modification of the existing strategy; control over maintaining the existing values of strategic development indicators, the organization’s activities and the enterprise’s strategic management effectiveness as a whole.

Keywords: development strategy, industrial enterprise management, mechanism of development strategy formation, strategic management.

I. INTRODUCTION

In the conditions of globalized processes and transition to new forms of the industrial enterprise's economic functioning are in the stage of constant market transformation and reformation, searching for the most rational ways of managing these processes. The opportunities and benefits offered to businesses must be underpinned by a plan of appropriate actions, a model for their rational implementation on a competitive basis. The implementation of the entity's development model provides important strategic solutions to the problems and challenges that may be encountered by the enterprise. The leading role in these processes is given to the mechanism of the enterprise's strategic development formation. The main purpose of this mechanism is to ensure the rationality, effectiveness and economic feasibility of the enterprises’ functioning and the implementation of their business processes.

Therefore, a problem of content, structure, rationality of use in the management system of development strategy is constantly in the field of scientific discussion. For effective formation and practical implementation of the enterprise’s strategy development, a necessary condition is development of a special mechanism that provides a choice of development strategy and meets the needs of the enterprise. That is why the study of theoretical and applied aspects of the mechanism of the industrial enterprise’s strategic development formation is extremely relevant and occupies one of the defining places in the strategic management system.

II. PROPOSED METHODOLOGY

The methodological basis of the publication is a theoretical research and generalization of the industrial enterprise's strategic development and formation of a special mechanism of the strategy's development management in modern conditions. Among the variety of proposed mechanisms of the strategic development formation at the local level and models for their formation, it is worth mentioning the works of such scientists, in particular D. Chandler [16], A. Doroshuk [2], I. Filipishin [5], L. Frederiksen [18] N. Kasyanova [8], O. Lyulov [1], O. Raevnev [3], O. Tridid [4], I. Smolin [14], V. Zhikhareva and T. Savelyeva [13], Warner, Mildred and Lingwen Zheng [17]. Given a proper presentation of scientific and practical experience to the investigated problem, requires a deeper study of the theoretical and applied justification and improvement of the mechanism under study, namely the composition and components of the mechanism of the industrial enterprise's strategic development formation and its practical application in...
unstable and crisis conditions of a competitive economy.

III. RESULT ANALYSIS AND DISCUSSION

The problems’ research of the industrial enterprise’s strategic development, in terms of its activation and formation of the appropriate mechanism, is devoted to the works of many scientists, the vast majority of whom present the enterprise's strategy development in the context of the mechanism management of the enterprise's development and only in some scientific works the mechanism is considered, of the industrial enterprise’s strategy development formation [1, 8, 16] (Table 1), by which the authors understand the set of organizational, management and economic tools of influence on the business entity.

According to the results of the conducted analysis, the presented mechanisms can be used to form the industrial enterprise’s strategy development only under certain adaptation to changes in both external and internal environment and market needs. At the same time, none of them is designed to form the enterprise’s strategy development, but requires an individual approach to a particular enterprise and its needs.

Taking into account the intensity of scientific knowledge and formation of the enterprise’s strategic development concept, the systematization of existing scientific approaches to consider the studied concept from the point of view of different objects, was carried out (Fig. 1).

Table 1 - Brief description of the mechanisms that can be used to formulate the industrial enterprise’s strategy development

<table>
<thead>
<tr>
<th>The authors of the mechanisms</th>
<th>The mechanism’s content</th>
<th>The mechanism’s directionality</th>
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<tr>
<td>O. Lyulyov [1, p. 144-146]</td>
<td>Presented, step by step, the mechanism's structural and logical scheme of the machine-building enterprises’ strategy development implementation, which takes into account the main stages of its formation and includes the content and order of works, following a clearly defined algorithm, aimed at improving the results, objectivity and representativeness of the main stages.</td>
<td>Oriented on the identification and analysis of trends, observed in the company, the company's viability is defined, analysis of the factors' influence on the increase of the target function; the process of a direct strategy's development implementation; control and fixing the strategy's development implementation; the ending results of the enterprise's strategy development implementation.</td>
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<td>N. Kasyanova [8, p.296]</td>
<td>Formed the mechanism of the enterprise’s bifurcation management, which is based on the identification of critical points of the enterprise’s development and the need to substantiate the choice of the most effective way of development, through the selection of the most rational enterprise’s strategy development, in terms of the principle of their integration and profiling by the product's nomenclature.</td>
<td>The advantage of this or that alternative strategic development option is far from straightforward, since each of them has its own advantages and disadvantages. The process of the strategy's development direct implementation is proposed to be divided into a number of stages: strategy launch (legitimization); strategy implementation; correction; the strategy's implementation ending.</td>
</tr>
<tr>
<td>A. Chandler [16]</td>
<td>Offered the theoretical foundations and a practical mechanism of the enterprise's strategy implementation through the situation's evaluation inside and outside the company, making possible directions of the company's strength using, choosing the best of the identified alternatives and developing a detailed tactical plan, aimed at, step by step, of the chosen strategy's implementation and its monitoring.</td>
<td>The evaluation process of the external environment, organizational goals’ formation, making decisions aimed at creating and retaining competitive advantages that can provide business profits in the long run. As a basis for the strategy's selection and implementation, the author, first of all, looks at the historical background of the country or region.</td>
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Fig. 1. Approaches to defining the formation mechanism of the industrial enterprise’s strategy development
Exploring the concept of "mechanism" should note its complex and systematic nature. In terms of the enterprise’s strategy development, the term "mechanism" can be interpreted as an economic category, which should be understood, as a system of elements, processes, techniques and methods that interact closely with each other and become an important tool for solving common tasks and achieving long-term goals of the enterprise’s existence through making the right and timely management decisions.

Based on the above approaches, we believe that from the standpoint of forming the industrial enterprise’s strategy development, the most appropriate is a system-structural approach, which defines the mechanism under study, as a system algorithm and allows on the basis of strategic management to determine the mission, goals and tasks of the enterprise, to develop the main strategic directions and measures of its development in the conditions of dynamic change of the external environment with optimal use of all available resources of the enterprise.

In today’s changing conditions, the industrial enterprise’s strategy development formation must occur through an appropriate algorithm, which should be understood as a systematic process that has a set of rules that must be followed during the strategy’s implementation; has a clear sequence of actions aimed at identifying results and overcoming existing and potential problems; has adequate resource and organizational and economic support (Fig. 2).

Fig. 2. The algorithm of implementation of formation mechanism of the industrial enterprise’s strategy development

It will provide systematic actions, a comprehensive combination of principles, functions, methods and tools, and potential outcomes that are determined by the specific effectiveness, mission and goals of the strategy’s development.

The implementation of the strategy’s development process is carried out in five stages: corporate level, business level, functional level, technical level, operational level and modular level (Table 2).

Table 2 - Characterization of making levels of the industrial enterprise’s strategy development [8, pp.360-361]

<table>
<thead>
<tr>
<th>№</th>
<th>The level of strategy development</th>
<th>Process characteristics</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Corporate level</td>
<td>It is developed in a theoretical form. The head of the enterprise is responsible for its implementation. This level has a perspective development and aims at developing long-term goals. On the basis of goals and tasks of this level, the whole scheme of the enterprise’s functioning process, is built.</td>
</tr>
<tr>
<td>2</td>
<td>Business level</td>
<td>This level defines specific boundaries of activity by setting goals and tasks; determines what the enterprise needs to achieve specifically (goals), what it needs to do (tasks). From the goals of this level depends on how the company will be able to position itself in the market.</td>
</tr>
<tr>
<td>3</td>
<td>Functional level</td>
<td>Defines an activity direction of a functional service within one business area. This level is aimed at achieving the goals and tasks, set at the business level.</td>
</tr>
<tr>
<td>4</td>
<td>Operational level</td>
<td>At this level, the processing of the results, obtained from the functional level, is determined.</td>
</tr>
<tr>
<td>5</td>
<td>Modular level</td>
<td>At this level, overall control over the strategy’s implementation, is exercised.</td>
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On the basis of the proposed algorithm we suggest to consider more thoroughly the stages of the industrial enterprise’s strategy development formation.

Stage 1. Selection of an object of the industrial enterprise’s strategy development.

The objects of the industrial enterprise’s strategy development are various changes (internal and external) in different spheres of the enterprise’s activity, determined by the chosen development strategy. Factors of an external nature determine a set of objects and conditions, with which an industrial entity interacts directly and, in particular, which objects to consider when formulating its development strategy. These changes are the result of the interaction of economic objects, their properties and parameters. Socio-economic changes in the enterprise’s system are objective in nature, they are independent of the will and desire of a person (a subject of the strategy’s development implementation, owners, managers, employees, investors, creditors, etc.) [14]. There are strategic and tactical changes. The first are well-thought-out, based on a comprehensive analysis and designed for a relatively long-term perspective. Tactical changes occur as a reaction to a situation; they do not require such serious and
long-term preparation for implementation, acting primarily as a support for strategic changes [8, p.144]. In particular, strategic changes are aimed at increasing employees' competence and stimulating them; modification of organizational structure and management style, corporate culture; formation of new information technology and strategic thinking of the company, etc.

Stage 2. Determination of a purpose, principles and functions, key problems of the enterprise's development and effective indicators of the strategy implementation.

The main goal of the industrial enterprise’s strategy development is to increase the level of the industrial enterprise’s development efficiency, to achieve a stable financial status, competitive functioning and development. The formation of the industrial enterprise’s strategy development should take into account the specificity of the investigated enterprise's production processes, its branch affiliation. First of all, it should be aimed at eliminating the disproportions that appear as a result of deviations from the planned enterprise’s strategy in space and time; second, the creation of disproportions (contradictions) and adaptation to changes, as sources of further the enterprise’s strategic development; thirdly, it should be aimed at increasing the enterprise’s competitiveness in the market and among other enterprises of the industry; fourthly, it should be aimed at expanding the field of activity to ensure of making an additional profit; fifth, to reach a new level of high-tech and innovative development.

The methodological procedure of a mission and goals definition of the industrial enterprise’s strategy development, is as follows: 1) the tendencies are specific to the enterprise, are investigated; 2) the mission and goals of the enterprise's strategy development, are established; 3) the matrix (tree) of goals as a whole, is determined; 4) priority of goals is formed: by the levels of strategy implementation; by the areas of activity (marketing, financial, innovative, production, technological, organizational, management).

The objectives of modeling of the enterprise’s development include: creation of a target image of the enterprise’s strategic development according to its needs; study of prediction of a desired image of the enterprise’s future development for management purposes; study of the enterprise’s readiness and ability to develop in certain areas; exploring the enterprise’s development boundaries under certain initial given conditions; study of the enterprise’s development dependency on the influence of factors and the resources using; study of the enterprise’s transition process from one state to another in the context of the enterprise’s development as a result; investigation of possible ways (variants) of development depending on certain initial conditions and possible probabilities; using of scenario analysis for the enterprise’s development for management purposes [15, p.54].

Rationality and efficiency of the industrial enterprise’s strategy development formation is ensured by a number of principles’ implementation, which represent the basic provisions and widespread rules of actions and properties of business processes [2, p. 110-111]:

1. Basic principles: controllability, adequacy, planning, inter-system and internal system compatibility, continuity of development, variability, conformity to a mechanism of the strategy’s formation to the enterprise’s general management system, for which it was created, economy, feedback.

2. Derived principles: orientation towards the long-term global goals of the economic system’s enterprise and economic interests of its owners; multi-variant of possible development directions, which are caused by the external environment dynamics of the enterprise’s activity; strategy’s development continuity, constant adaptation of changes in internal and external environment; strategy’s development complexity, strategic decisions coordination by separate directions of the enterprise’s activity, types of resources, functions, etc.

In the process of the enterprise’s strategy development formation, the main goal and principles are realized through the fulfillment of a number of functions: prediction (planning), organizing and coordinating, stimulating and activating, monitoring and control, information function, goal recognition.

One of the mechanism formation’s organizational components of the industrial enterprise’s strategy development is a set of tactical and strategic ways and tools that serve as a methodological basis for a strategy's development formation and management of this process. The strategic toolkit is characterized by dynamism, in case, the dynamics of internal and external environment do not correspond to the strategy’s predictions. Traditionally, the toolkit for the industrial enterprise’s strategy development formation predicts the choice of strategy amongst the well-developed strategic alternatives.

Today, there is a well-developed toolkit, which is presented in Table 3.

Table 3 - Types of tools for forming the strategy of the industrial enterprise’s development [17, p.134]

<table>
<thead>
<tr>
<th>Group of methods</th>
<th>Methods</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
<tr>
<td>Graphic methods</td>
<td>The radial diagram of competitiveness</td>
<td>Easy to use, high degree of clarity</td>
<td>Does not allow to define the value of generalized criterion of the enterprise’s competitiveness</td>
</tr>
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<td></td>
<td>The polygon of competitiveness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matrix methods</td>
<td>Different types of matrices: McKsey, Shell, A. Ansoff matrix, etc.</td>
<td>Allows to conduct a detailed assessment of development strategy options</td>
<td>Does not take into account the different weight of competitiveness factors</td>
</tr>
<tr>
<td>Index methods</td>
<td>Analysis of the comparative advantages of competing enterprises</td>
<td>Allows to conduct a detailed assessment of development strategy options, taking into account the complex approach</td>
<td>Takes considerable time, there is no generally accepted methodology for the enterprise's competitiveness</td>
</tr>
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</table>

Method based on the theory of effective competition
Integral method
Self-assessment method

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Stage 3. Strategic analysis of evaluating alternative options for the enterprise’s development.

An important step is the implementation of strategic analysis, which involves the evaluation of the enterprise’s development alternative strategic options. Based on the conducted strategic analysis, priority goals are determined, among the set of selected, tasks and processes of the enterprise’s development strategy are set, depending on the enterprise’s needs. At this stage: the external and internal environment of direct and indirect influence is monitored; the evaluation of the enterprise’s opportunities and threats; the evaluation of the enterprise’s resource potential; the evaluation of the enterprise’s position in the industry; the evaluation of the enterprise’s readiness for changes. For such complex diagnostics, various methods of diagnostics are used: factor analysis, balanced system of indicators, PEST analysis, SWOT analysis, etc. Then, the evaluation of correctness and expediency of the set goals in accordance with the strategy development, are summarized. The end result of diagnostics is the evaluation of the enterprise’s alternative options of strategic development, the enterprise’s development indicators and test the risks of selected alternatives.

Stage 4. Definition and formation of resource provision of the strategy’s implementation.

An important element in the enterprise’s strategy development is the definition of resource potential, which includes the organizational, labor, financial, technological, industrial, marketing and innovation component. The components’ evaluation and diagnostics require special diagnostics and selection criteria, depending on a type of industrial enterprise, the size and direction of strategy development.

Stage 5. Choosing an overall strategy, or a combination of them.

The next stage is a choice of the overall strategy, or a combination of them: the functional strategies formation, the strategy justification of the enterprise’s innovative development, the choice of alternative strategies. Very often, in practice, the usage of the current strategy development, as the main one, to which additional strategies development are implemented to achieve the goal, namely [2, 6, 7, 9, 12, 17, 18]:
- by the activity degree (active and passive strategies development);
- by the development degree (growth strategy, limited growth strategy in case of quality changes, differentiation and focus strategies, leader strategy, attack strategy, follower strategy, Nisher strategy, expansive strategy, power strategy, niche strategy);
- by the growth level (concentrated growth strategies, integrated growth strategies, diversified growth strategies, reduction strategies), etc.

Together, all strategies form a set or matrix of development strategies. Their combination determines a model of the enterprise’s development, stages and phases of development. At this stage, the selected strategy is evaluated, namely: the key success factors that characterize the development strategy; predicting the future results according to goals; identifying the alternative types of strategies. This allows you to determine whether the chosen strategy will lead to the achievement of the company’s goals.

Stage 6. Making a plan and measures for the strategy’s implementation.

The stage of the plan creation and measures for the strategy implementation includes: the process documentation and making a decision to carry out a comparative analysis of the selected strategies, the definition of the "Strategic set" of the organization, the strategy of specialized types of activities, the strategy of the main business subsystems. The strategy development includes: strategic plans (tasks, standards, organizational concept); tactical plans (business programs), operational planning.

Creating a strategy development is the basis for an overall the enterprise’s strategic plan. The company chooses sections and indicators independently, based on its own positions, taking into account its own resources. For the strategy implementation, the resource needs are identified, the ways of their mobilization, the plan for creating and executing the budget strategy.

Stage 7. A process of implementation of the enterprise’s strategy development and a control of its implementation.

The implementation process of the enterprise’s strategy development and control over its implementation predicts the practical implementation of: defined plans and measures aimed at implementation of creating enterprise’s development strategy; the progress monitoring of implementation of the development strategy and necessity definition for its correction; implementation evaluation of the strategy and taking into account the implementation disadvantages when developing the next or changing the existing strategy; control over maintaining the existing values of strategic development indicators, the organization activities and the strategic management effectiveness of the enterprise as a whole.

Stage 8. Evaluation of the implementation’s effectiveness of the industrial enterprise’s strategy development.

The final stage predicts the effectiveness evaluation of the industrial enterprise's strategy development based on a comparison of the level development, direction, sphere or specific indicator before and after the measures implementation; calculation of achievement percentage of strategic changes.

IV. CONCLUSION

In the scientific research, a theoretical generalization is made and applied aspects are presented of the industrial enterprise’s strategy development formation, through a special mechanism. The obtained generalizations allowed us to receive the next results:
- it is proved that the industrial enterprise’s strategy development formation is a rather complicated and creative process that requires high accuracy and qualification of management personnel;
- systematic existing scientific approaches to considering the mechanism of the industrial enterprise’s strategy development formation from the point of view of different objects into: systematic
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approach, functional approach, hierarchical approach, process approach, system-targeted approach, systemic-structural approach;
- it is noted that the most rational in the current conditions of the industrial enterprises’ functioning is the use of systemic-structural approach;
- presented the advanced mechanism of the industrial enterprise’s strategy development formation, on the basis of the offered approach, as a systematic algorithm of actions: from the object’s definition, formation of the purpose and goals of the strategy’s development and forecasting of the results to practical implementation and evaluation of the strategy’s effectiveness, which is implemented at five levels: corporate level, business level, functional level, technical level, operational level and modular level;
- it is stated that practical implementation of the proposed algorithm by the industry entity will contribute to the complexity, systematization and justification of the strategies’ development in each business context. In particular, when plans are defined and measures are implemented towards the developed enterprise’s strategy development implementation; monitoring the implementation’s progress and evaluation of the quality of the strategy development implementation; control over maintaining the existing values of strategic development indicators, organization activities and the effectiveness of the enterprise’s strategic management as a whole.

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