

The place and role of strategic planning in the business management system

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Abstract. — The market environment dictates to modern enterprises the severe conditions of competition, in which to survive and become a leader is possible only on the basis of timely strategic planning of activities. The current stage of the world economy development is characterized by a number of features indicating the formation of a new economic growth model, namely: the globalization of business, the dynamic development of competition, the emergence of new techniques and methods of production organization, shortening product life cycles. That is why understanding the essence and place of strategic planning in the business management processes is particularly significant. The aim of the study is to generalize the theoretical basis of the modern strategic planning concept in business management. To reveal the essence of strategic planning, such concepts as “strategy” and “strategic planning” are analyzed. It is relevant to consider the strategy as a chosen line of business activity, the functioning within which is to result in meeting its objectives. Developing a business strategy from such a position is the process of creating the potential for its survival in the conditions of a dynamically changing external and internal environment, generating uncertainty of the perspective. In other words, the implementation of the business strategy as a management decision is exercised through the strategic planning of the enterprise’s development.

Keywords — *enterprise (business), strategy, competitive strategy of an enterprise (business), business strategy, competition strategy, strategic planning, ensuring element*

I. INTRODUCTION

In the process of the overall globalization, strategic planning and forecasting various socio-economic systems operation, namely, enterprises, depends rather on the influence and fluctuations of the market environment, which dynamically changes and gives rise to a spectrum of various contradictions, which, in turn, determine the current and future development of enterprises, than on the internal realities and potential capabilities of enterprises.

Therefore, in modern conditions of the economy, issues of the development of enterprises as socio-economic systems are becoming increasingly important, their ability to meet the market demands and changes in the external and internal environment quite quickly and with the minimum necessary expenses.

Analysis of scientific works of domestic and foreign

scientists from system studies (such as D.E. Schendel, J.M. Higgins, J.A. Pearce., D. Katz, M.E. Porter, P. Kotler, W.F. Glueck, A.A. Jr. Thompson, A.I. Strickland, G.D. Smith, D.R. Arnold, L.D. Alexander, E.H. Schein, I. Ansoff, D. A. Aaker, B. Karlof, A.A. Dochkina, M. Krui, D. Galai, J. O'Shaughnessy, A. T. Zub) made it possible to identify the main approaches for the interpretation and critical analysis of substantive aspects. The definitions of the concepts “strategy” and “strategic planning” are of the greatest interest.

The word strategy comes from ancient Greek “Stratos” that means “army”, “forces”; “Agos” – “I am a leader”. At the beginning it meant ‘art or science to be a commander’. In a figurative sense (as defined by S.I. Ozhegov’s dictionary, Dictionary of the Russian Language. - M.: Rus. Yaz., 1988. - P. 630) it means “the art of leadership in social and political struggle; the way of action, one’s behavior pattern”.

II. MATERIALS AND METHODS (MODEL)

The research was conducted using scientific methods based on the dialectical cognition method and the objective laws of economic development.

The main general scientific methods applied in the work are the method of induction and deduction, a logical approach to the economic categories study and practical aspects of financial planning at an enterprise.

An essential feature of a business strategy building is its both a multi-level structure and a hierarchy of an enterprise organizational building, focused on achieving certain goals. It should be noted that foreign and domestic scientists have the similar views on the hierarchical structure of the enterprise strategy.

Referring to attempts to structure an enterprise strategy, it is worth noting A. Jr. Thompson and A.I. Strickland, who distinguish corporate (portfolio), business, functional (specifies and supports corporate and business strategies) and operational (ensures the achievement of a strategic goal) strategies.

Some authors [1] focus on the object to which a certain hierarchical level is being developed: so corporate strategy applies to the entire enterprise; competitive - to a separate

field of activity or a business-line; functional - to each of the functional subsystems of the enterprise (branches, divisions, services); operational strategy is used to determine the management principles of certain processes.

Well-known foreign researchers in the field of strategic management A. Jr. Thompson and A.I. Strickland proposed a pyramid of strategies development for one-profile company (business, functional and operational strategies) and diversified company (corporate, business, functional and operational strategies) [2]. This hierarchical system of strategic management is supported by a significant number of foreign and domestic scientists.

Contradictions in views on the strategies hierarchy arise only at the so-called business-competitive level. I. Ansoff gives the following definition: "A business (competitive) strategy reflects how an enterprise plans to compete in a particular product market, to whom and at what prices to sell products, how to advertise it, etc. Therefore, this strategy is also called a competition strategy." [3]

But are all the above notions: "business strategy", "competitive strategy", "business strategy" and "strategy of competition" are synonymous? To determine their relationship and identity, it is proposed to formulate generalized definitions and make a comparison. Scientists [3] believe that the competitive strategy is narrower than the business one in a scale. Thus, a business strategy is responsible for competitiveness, it reflects functional strategies, the management's intentions to solve strategic problems in various conditions in the industry, while plans to compete and satisfy consumers and provide them with additional values are the prerogative of a competitive strategy.

According to the interpretation, a business strategy is a set of measures and approaches for the successful operation of a business unit describing ways how to create a stable and long-term competitive position of a business unit. This is a developed management plan to run a single business unit and achieve its optimal productivity [4].

D. Aaker, defines a business strategy as a generalized model of actions needed to achieve goals by coordinating and distributing company resources. The goal of the strategy is to achieve long-term competitive advantages that will provide the company with high profitability [5].

Other scientists define business strategy as [6]: "The management plan for a particular field of activity of a company. It consists of a number of approaches and lines that are developed by management in order to achieve the best performance in one particular area of activity; it focuses on actions and approaches that are related to management and are aimed at ensuring successful activity in one specific area of business. The essence of a business strategy is to show how to win a strong long-term competitive positions. "

According to foreign authors [7], the concept of "business strategy" can be formulated as follows: "A strategy for ensuring the long-term competitive advantages of a business unit. This strategy is often embodied in business plans and shows how the enterprise will compete in a particular product market, to whom and at what prices it will sell its products,

how it will advertise, how it will achieve a victory in the competition, etc."

O.O. Smirnova, Y.N. Bogdanova, Y.V. Simonova give the following definition [8]: "A business strategy is a type of management of a particular field of the company's activity that includes a number of approaches and directions developed by management with the aim to achieve the best performance indicators in one specific field of activity"

V.N. Gonin supports the definition [9] that a business strategy is developed within a business unit to ensure its long-term competitive advantages. Basically, this strategy is embodied in business plans and determines the content and methods of the enterprise in a particular product (commodities) market: to whom and at what prices it will sell products, how to advertise it, how it will achieve victory in the competition, and etc.

III. RESULTS AND DISCUSSION

Almost all interpretations of the "business strategy" concept indicate management at the level of a department (business unit) or a separate field of activity. The exception is B. Karlof [6], whose definition allows to apply it both to a business and a competitive strategies, or even general (corporate) one. It should also be noted, that the main goal of the enterprise, as he admits, is the achievement of high profitability which is not the only optimal policy option of the enterprise in modern market conditions. To sum up, a business strategy should be considered as a type of management of the company's separate business unit, which goal is to provide long-term competitive advantages. Having defined the term "business strategy", let us move on to the definition of the category "competitive strategy". The correct interpretation of the concept "business competitive strategy" is the basis for its effective development and implementation, in other words, it is a guarantee of the fruitful work of an enterprise in modern rapidly changing and difficult conditions of operation. It's important to note that M. Porter distinguishes competitive strategies not as a level of management, but as a position in the industry, market segment [3].

Let us analyze the definitions of the concept "business competitive strategy" given by domestic and foreign scientists.

M. Porter in his work states the following [3]: "The business competitive strategy" is aimed at taking a stable and advantageous position, which will enable the organization to resist the pressure of the forces that determine the competition in the industry".

According to the statement [7]: "The competitive strategy of an enterprise is to create a future competitive advantage faster than competitors will copy what you use today."

The following interpretation of the notion "business competitive strategy" [9] is worth paying attention to: "The business competitive strategy" is a complex of interrelated measures based on internal competitive advantages and distinctive features that neutralize the influence of external factors with the maximum benefit for the enterprise in order to obtain priority advantages in competition, to win and keep strong positions in the market, achieve, increase or maintain

the desired level of competitiveness”.

According to A.N. Mardas [10], “business competitive strategy” is competitive measures and actions, market approaches that can provide a stable advantage over competitors or the enterprise’s competitiveness in the whole.

Another group of authors [11], formulates the concept of “business competitive strategy” as the process of forming and implementing the goals and objectives of a producing enterprise and exporter for each individual market (market segment) and each product for a certain period of time to carry out activities in full compliance with the market situation and business opportunities.

A.A. Dochkina in her study [12] defines “business competitive strategy” as a way for an enterprise to obtain stable competitive advantages through competition, meeting various and changing customers’ needs better than the competitors do.

A.T. Zub, studying the problems of determining the essence of the strategy [13] gives the following definition: “Competitive strategy of an enterprise is a set of measures based on the competitive advantages that are implemented by an organization in order to achieve and maintain an advantageous competitive position and neutralize the influence of competitive forces.”

M. Krun, D. Galai, R. Mark, in their research works on this issue, formulate “business competitive strategy” as a way of long-term enterprise behavior in a competitive environment in order to maintain the achieved level of competitiveness or increase it [14].

According to J. O’Shaughnessy [15], the term “business competitive strategy” means a set of interrelated activities aimed to achieve and maintain a high level of competitiveness and an advantageous competitive position in the market and that is based on the effective use of competitive advantages and neutralizing the negative factors of influence.

In A.J. Sheldrake’s study [16], the competitive strategy of an enterprise is understood as the combination of separate interconnected and interdependent components, united by a single global goal - the creation and maintenance of a high level of constant competitive advantage of an enterprise.

The analysis conducted suggests that as to the notion of “competitive strategy”, some authors emphasize precisely on the position of the enterprise, and others - on the speed of creating competitive advantages.

As for other scientists, they include more substantial elements in this definition: 1) competitive position, 2) competitive advantage, 3) competitiveness, 4) strategic goals achievement. The above definitions contain one or more aspects of this concept.

If we summarize the above definitions of the concept, it turns out that a competitive strategy is a long-term complex of interrelated activities aimed at ensuring stable competitive advantages, maintaining a favorable competitive position and ensuring the desired level of competitiveness.

But, this generalized definition does not reflect some sufficiently weighty aspects that can make the chosen strategy effective. First of all, these are enterprise capabilities and dynamism (flexibility, adaptability). Secondly, they are the situation on the market or external influence factors, as well as the place of competitive strategy in the hierarchy of strategies.

Thus, the authors suggest the following interpretation of “business competitive strategy”: it is a dynamic, long-term and focused set of interrelated activities that have a single business objective, based on the internal capabilities of the enterprise, aimed at achieving and maintaining the desired level of competitiveness, competitive advantages, a firm competitive position of the enterprise (business) and that is able to neutralize the competitive forces.

It should be noted that some scientists use the concept of “competitive strategy” equally with the concept of “business strategy”, but these are different concepts. No company can achieve superiority over competitors in all commercial characteristics of the product and the means of its promotion in the market. It is necessary to select priorities and develop a strategy that most closely follows the trends in market development and that uses the enterprise strengths in the best way possible. It should be aimed at providing advantages over competitors in the long term, estimated at 3-5 years.

IV. CONCLUSION

Competitive strategy forms a competitive advantage, which, at the same time, allows the enterprise to compete and win in the struggle for maintaining priority positions in the market.

Competition strategy is a narrow category that determines only the main means of achieving the competitive advantage. Competitive strategy is the basis of the enterprise competitive behavior in the market and describes the scheme of providing advantages over competitors.

Competitive strategy focuses on the actions and approaches that are connected with the management aimed to establish and strengthen the long-term enterprise competitive position in the market in one specific area of entrepreneurship.

Thus, in our opinions, it is necessary to single out the concept of “competition strategy”, which is a narrow category defining only the main means of achieving the competitive advantage. Therefore, it can be asserted that the concepts of “business strategy”, “competitive strategy” and “competition strategy” have different content.

Strategy should be considered from three sides:

1. Strategy as an abstract norm of activity, abstracted by content, but addressed to the processes of achieving goals. The concept of strategy is close to the concept of strategic vision and is understood as an idea of the desired state of the organization.

2. Identification of strategy and strategic action plan. A shift in focus on the software component (action plan) is possible. A strategy can become a mosaic for poorly connected actions in different directions (areas).

3. Strategy as a strategic planning process. Strategic planning is understood as a process aimed at developing and implementing the environment development strategy in which an organization, community, country exists, as well as the adaptation to these changes.

According to the interpretation [16], planning is one of the constituent parts of management that is aimed at the development and practical implementation of the plans determining the future state of the economic system, ways, methods and means of achieving it.

A generalized typology of the “planning” concept allows us to develop theoretical and practical approaches to understanding the essence of business planning, to specify its nature, which results in business planning improvement as an integral part of the management process, improving the quality of development strategy.

Planning in a directive form is inherent in a centrally managed economy, where government plans play a leading role.

In this regard, in modern economic conditions, where the state focus of economic management is shifted towards popularization and greater development of the business environment, planning is carried out at the level of individual socio-economic systems, which often has an indicative, orienting character.

The strategic planning process in a company consists of several stages: defining the mission and goals of the organization; analysis of the environment, including the collection of information, company’s strengths and weaknesses analysis, as well as its potential on the basis of changing external and internal information; strategy choice; strategy implementation; evaluation, control and adjustment.

So, the main issue of strategic planning is “what the socio-economic system wants to achieve.” And the specific decisions “how the company resources should be allocated to achieve strategic goals” relate to tactical planning.

A review of the existing interpretations of the “strategic planning” concept allows us to make a number of theoretical assumptions:

1. Strategic planning is a part of strategic management. The main argument allowing to operate with this statement is to determine the structure of the strategic planning process. The strategic planning process includes the following elements: vision, assumption, the imperative of taking management decisions, indicators, linking objectives with resources, a program and a directive.

2. Strategic planning ensures the transformation of the enterprise from its current state into the future, predetermined state. Being one of the important elements of strategic management, strategic planning provides a balance between the business prospects, its goals and its real opportunities.

3. The main principles of strategic planning at all its stages are: coverage of all areas of the business; compliance with resource capabilities; the relationship of short-term, medium-term and long-term development directions; consideration of

internal priorities in the goals and objectives; efficiency and feasibility of directions.

4. The main objective of strategic planning is to create the potential for the enterprise survival in dynamically changing external and internal environments, generating uncertainty of prospects.

5. Strategic planning enables taking important decisions, for example, how to expand business activities, create new business areas, stimulate the process of satisfying consumer needs, what efforts should be made to meet market demand, which markets are better to operate in, which products to produce or which services to provide, which partners to conduct business with, etc.

Analysis of the interpretation of the “strategic planning” concept allowed to substantiate the place of planning in the process of socio-economic systems functioning. Strategic planning should be considered as one of the elements of strategic management, which is the process of choosing the organization’s goals and ways to achieve them. In this regard, strategic planning provides the basis for all management decisions. The functions of organization, motivation and control are focused on the development of strategic plans. Without taking advantage of strategic planning, organizations as a whole and individuals will be deprived of a clear way of assessing the goals and directions of a corporate enterprise. The strategic planning process provides the foundation for the management process.

Summarizing the theoretical studies, it can be concluded that, on the one hand, “strategy” is a specific long-term plan for achieving goals; thus, developing a strategy is a process of finding goals and strategic planning.

Other researchers of strategic management and planning adhere to such an opinion [14] that a strategy should be understood as a long-term qualitatively definite direction of the enterprise development that concerns the sphere, means and the form of its activity, the system of internal production relations, as well as the enterprise position in the business environment.

In our opinions, with this understanding, it is reasonable to consider the strategy as the chosen direction of activity, the functioning within which should lead the organization to achieving its goals. Developing a strategy from such a position is the process of creating the potential for the enterprise survival in a dynamically changing external and internal environment that generates uncertainty of the prospects.

In other words, the implementation of the strategy as a management decision is carried out through strategic planning. This means that when the strategic management is implemented, the focus is brought on strategic planning. However, this is completely insufficient, since the strategic plan does not ensure its mandatory successful fulfillment.

In fact, the most important component of strategic management is the implementation of a strategic plan. And this intends, primarily, to create an organizational culture that allows to implement a strategy, create motivation and work organization systems, certain flexibility within an

organization, etc. Moreover, in the case of strategic management, the implementation process has an active reverse effect on planning, which even more enhances the significance of the implementation phase. Therefore, an organization, in fact, will not be able to switch to strategic management if it has even a very good subsystem of strategic planning, but there are no prerequisites or opportunities for the implementation of the strategy (Fig. 1).

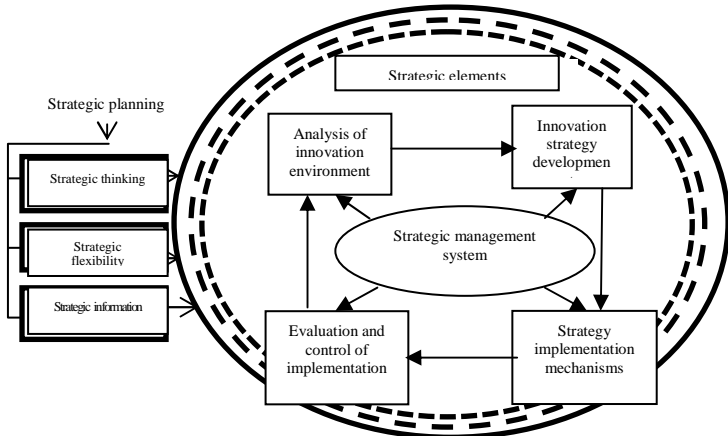


Fig.1. Interconnection of strategic planning in the system of strategic management

Thus, the features of strategic planning as an ensuring element of the management system justify the need to interpret this concept as actions aimed at shaping strategic thinking, gaining flexibility skills and collecting strategic information about the market in which there is a socio-economic system (enterprise, community, country).

Strategic planning as a supporting element of the strategic management system focuses precisely on the development of a strategic plan. The system-forming factors of the strategic management system form the stages of the strategy implementation.

The most important for the successful development of socio-economic systems is directly strategic thinking and, accordingly, strategic actions.

A feature of strategic thinking, as opposed to the common (scientific) one, is its prognostic and practical dimension. Strategic thinking is focused on changing the actual state of affairs; its goal is to design the desired future for the socio-economic system and to determine the practical means to achieve it.

Judging from the formulated feature of strategic thinking, it is possible to formulate the signs of a strategic thinking lack:

- the point of view that the environment practically does not change;
- development of the action program on the analysis begins only with internal capabilities;
- the desire to write everything in operational plans in advance.

At the heart of the strategic planning system lies strategic information (Fig. 2).

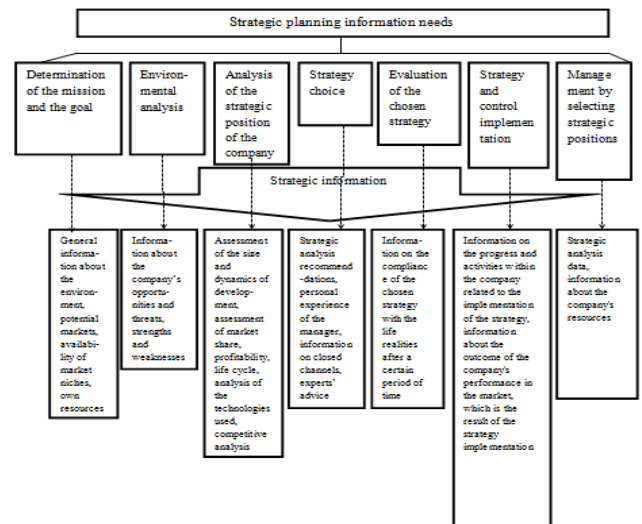


Fig.2 - The need for strategic planning information

The strategic planning process begins with the collection and analysis of the information, without which the development of a plan is impossible.

Thus, the features of strategic planning as an ensuring element of the management system justify the need to interpret this concept as the actions aimed at shaping strategic thinking, gaining flexibility skills and collecting strategic information about the market in which there is a socio-economic system (enterprise, community, country).

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