

# The Features of Strategic Analysis Under the Terms of the Turbulent External Environment

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**Abstract**— This article reveals the limitations and opportunities for development of sub-regional units with agro-industrial specialization under the conditions of unstable Russian economy. The authors demonstrate the features of the strategic analysis of the development of sub-regional units with agro-industrial specialization and the necessity of taking the development risks into account.

**Keywords**—strategic analysis; development strategy; SWOT-analysis; risks

## I. INTRODUCTION

Strategic analysis suggests a study of development history of some sub-regional units with agro-industrial specialization taking into consideration spatial changes, transformation of the socio-economic system structure, attention to the key tendencies found as a result of municipality development monitoring. Reference [1] states, that considerable part of strategic analysis should be devoted to the analysis of the opinions of such experts, as businessmen, population representatives, authorities, public organizations, concerning the probable prospects of socio-economic development of sub-regional units with agro-industrial specialization, as well as the key problems in their development.

The analysis of the resource potential of sub-regional units with agro-industrial specialization, together with the possibilities of attracting internal and external growth reserves, largely determines the strategic trajectory of their transformation.

As a result of the strategic analysis of the sub-regional units with agro-industrial specialization, the mission, the general objective, and priorities of the socio-economic development of sub-regional units with agro-industrial specialization should be defined.

## II. THE FEATURES OF STRATEGIC ANALYSIS OF THE SUB-REGIONAL UNITS WITH AGRO-INDUSTRIAL SPECIALIZATION UNDER THE TURBULENT RUSSIAN ECONOMY

In general, most of the sub-regional units with agro-industrial specialization are described by the variety of trends in socio-economic indicator dynamics, which was proved through the implementation of the Strategies of socio-economic development of municipality districts till 2020.

Planning of the priorities of the future transformation of the sub-regional units with agro-industrial specialization is included in the prepared Strategies of socio-economic development of municipality districts till 2035, which is associated with the comparison of the problems spotted by the experts, the municipalities' own resources, and the demand for attraction of the strategic resources from the external environment to render the socio-economic growth priorities possible. The generalization of the results of the study of respondents' opinions, as well as objective trends in the dynamics of the all-Russian and regional economic processes, allows to form the matrix of strengths and weaknesses of sub-regional units with agro-industrial specialization, as well as opportunities and threats in the format of strategic SWOT analysis, as it is shown in [2].

Normally, the following may be considered as the strengths of the sub-regional units with agro-industrial specialization (in Voronezh region such units include Rossosh, Liski, Pavlovsk, Kamenka districts):

1. Presence of a large, fairly stable and developing industrial enterprise, which employs up to one third of all workers in the district.
2. Availability of land suitable for livestock, poultry, horticulture development, which is confirmed by the data in the "Investment passport of the municipal district".

3. Availability of investment sites, which is confirmed by the data in the “Investment passport of the municipal district”.
4. Availability of the human resource reserve. The working-age population is economically active, usually interested in the development of the district, patriotic, and interested in preventing the youth leaving the area.

The weaknesses of the sub-regional units with agro-industrial specialization include the following:

1. Low birth rate and significant proportion of disabled and aged people. The population of Voronezh region is declining, the pensioners account for one third of the population.
2. Depreciation of the fixed assets and infrastructure, which is proved by the data obtained from the authorities and the survey results covering all social groups, carried out by scientific consultants during the preparation of the Strategies for the socio-economic development of municipal districts till 2035 in 2017-2018.
3. Lack of high-qualified workers and executives, which is confirmed by the data in the “Investment passport of the municipal district” where it describes the human potential of the survey of the businessmen carried out by scientific consultants during the preparation of the Strategies for the socio-economic development of municipal districts till 2035 in 2017-2018.
4. Poor business activity of the population, which is confirmed by the survey of the businessmen carried out by scientific consultants during the preparation of the Strategies for the socio-economic development of municipal districts till 2035 in 2017-2018.
5. Problems with mobile telephony and Internet access within the territory of the sub-regional units with agro-industrial specialization.
6. Poor availability of recreation infrastructure.

The opportunities for the further development of the sub-regional units with agro-industrial specialization include the following:

1. The prospects of participation in the inter-district projects aimed at the creation of a network of processing facilities for agricultural products, as in [3].
2. Mobilization of the budgetary funds for participation in the priority projects and governmental programmes.
3. Increase of businessmen activity in solving the social problems of the sub-regional units with agro-industrial specialization, as in [4].
4. Target training of the employees for the sub-regional units with agro-industrial specialization.

The threats for the development of the sub-regional units with agro-industrial specialization include the following:

1. Risk of investors’ refusal to participate in the projects in case of change of the governmental policy in agro-industrial sphere.
2. Loss of the quality of soils and other natural resources required for agricultural production.
3. Reduction of the working-age population caused by migration to other municipal districts with better employment conditions and higher living standards.

The analysis results are demonstrated in the Table I:

TABLE I. STARDART SWOT-ANALYSIS OF THE SOCIO-ECONOMIC DEVELOPMENT OF THE SUB-REGIONAL UNITS WITH AGRO-INDUSTRIAL SPECIALIZATION

<b>Strengths</b>	<b>Weaknesses</b>
<ol style="list-style-type: none"> <li>1. Presence of a large, fairly stable and developing industrial enterprise, which employs up to one third of all workers in the district.</li> <li>2. Availability of land suitable for livestock, poultry, horticulture development.</li> <li>3. Availability of investment sites.</li> <li>4. Availability of the human resource reserve.</li> <li>5. Convenient logistic location</li> </ol>	<ol style="list-style-type: none"> <li>1. Low birth rate and significant proportion of disabled and aged people.</li> <li>2. Depreciation of the fixed assets and infrastructure.</li> <li>3. Lack of high-qualified workers and executives.</li> <li>4. Poor business activity of the population.</li> <li>5. Problems with mobile telephony and Internet access within the district territory.</li> <li>6. Poor availability of recreation infrastructure.</li> </ol>
<b>Opportunities</b>	<b>Threats</b>
<ol style="list-style-type: none"> <li>1. The prospects of participation in the inter-district projects aimed at the creation of a network of processing facilities for agricultural products.</li> <li>2. Mobilization of the budgetary funds for participation in the priority projects and regional governmental programmes.</li> <li>3. Increase of businessmen activity in solving the district social problems.</li> <li>4. Target training of the employees in the district.</li> </ol>	<ol style="list-style-type: none"> <li>1. Risk of investors’ refusal to participate in the projects in case of change of the governmental policy in agro-industrial sphere/</li> <li>2. Loss of the quality of soils and other natural resources required for agricultural production.</li> <li>3. Reduction of the working-age population caused by migration to other municipal districts with better employment conditions and higher living standards.</li> </ol>

### III. DEFINITION OF THE STRATEGIC DEVELOPMENT PRIORITIES

Identification of key problems is undertaken based on the consideration of the opinions primarily of the population of the sub-regional units with agro-industrial specialization, businessmen operating in the area, public organizations, as well as employees of government bodies, as a set of entities that are thoroughly familiar with the factors and barriers to the development of the municipal district and rural settlements and having the opportunity to influence the choice of certain territorial resources for the development of the sub-regional units with agro-industrial specialization.

Based on the results of the work carried out, the mission, general goal, and priorities for the socio-economic development of the sub-regional units with agro-industrial specialization are formulated.

The mission is the main common objective of the sub-regional units with agro-industrial specialization, the status of the district; it provides directions and guidelines for setting goals and strategies at various organizational levels.

The general target of the development of the sub-regional units with agro-industrial specialization till 2035 is provision of the stable living standards of the population based on the earnings growth and social infrastructure development.

The priority ways for the development of the sub-regional units with agro-industrial specialization of Voronezh region are:

1. Preservation and development of the district social infrastructure.
2. Development of the new directions in the agricultural production (poultry, sheep breeding, horticulture, glasshouse cropping).
3. Increase in the number of small and medium-sized companies, diversification of their activities (production of agricultural products, processing, recreation, waste management, etc.).
4. Development of transport and engineering infrastructure.
5. Provision for availability of the state-of-the-art information and communication technologies in all rural settlements.

The strategic priorities for the development of the sub-regional units with agro-industrial specialization are determined by the strategic priorities for the development of the region as a whole. Their correlation is shown in the Table II.

TABLE II. CORRELATION BETWEEN THE STRATEGIC PRIORITIES AT THE REGIONAL AND MUNICIPAL LEVELS

<b>Regional strategic priority for Voronezh region</b>	<b>Strategic priority for a sub-regional unit with agro-industrial specialization</b>
Growth of earnings and improvement of the population's living standards	Preservation and development of the district social infrastructure. Provision for availability of the state-of-the-art information and communication technologies in all rural settlements
Development of knowledge-intensive high-tech productions, export-oriented industrial and agricultural production	Development of the new directions in the agricultural production (poultry, sheep breeding, horticulture, glasshouse cropping)
Development of transport and engineering sector	Development of transport and engineering infrastructure
Balances industrial development of the region	Increase in the number of small and medium-sized companies, diversification of their activities (production of agricultural products, processing, recreation, waste management, etc.).

#### IV. SCENARIO GENERATION FOR THE SOCIO-ECONOMIC DEVELOPMENT OF THE SUB-REGIONAL UNITS WITH AGRO-INDUSTRIAL SPECIALIZATION

Three scenarios for the socio-economic development of the sub-regional units with agro-industrial specialization of the Voronezh Region for the period up to 2035 were proposed.

1. „Business as usual“ development scenario. It assumes that the investment sites are not in demand, decrease in demographic situation (including the almost complete outflow of youth from the area), further degradation of the infrastructure.

To ensure irregular forms of employment, including telework for young people, the level of Internet coverage should be brought up to 100% throughout the sub-regional units with agro-industrial specialization, including in rural settlements.

To hold the youth in the sub-regional units with agro-industrial specialization, measures are required to reduce the difference in the availability of recreational activities between the population of the district and the population of urban districts. It can be recommended to survey of this age group in order to identify their needs.

According to the survey results, it is possible to design a program of small business stimulation with priority grants and subsidies to those entrepreneurs who will eliminate this deficiency.

To mitigate the degradation of the infrastructure of the sub-regional units with agro-industrial specialization, it will be necessary to attract budget funds as a part of participation in priority projects and governmental programs in the region.

To curb the degradation of the population's living standards, if the „business as usual“ development scenario is to be implemented, it is necessary to develop a minimum guaranteed standard for access to socially significant services on an equal footing.

Taking into account the sufficient level of patriotism, revealed during the survey of representatives of the business community of sub-regional units with agro-industrial specialization by scientific consultants, it is recommended to increase the activity of the business community in solving social problems in the sub-regional units with agro-industrial specialization based on intangible motivation.

2. Conservative development scenario. Suggests preservation of existing trends and achievement of current forecast indicators.

Conservative development scenario suggests preservation of production capacities of budget-forming companies and effective economic activity of agro-industrial organizations.

Besides, involvement of 2-3 investors for infra-structural investment sites is expected.

When implementing the second scenario, the activities outlined in the first scenario remain mandatory, as there is certain risk of investors refusing to participate in projects in

case of change of the governmental policy concerning the agro-industrial complex.

When implementing a conservative development scenario, it is recommended that measures be taken to counteract the decline in the quality of soils and other natural resources necessary for economic activities.

### 3. Target development scenario.

The target development scenario suggests expansion of production capacities of budget-forming enterprises and effective economic activity of agro-industrial organizations.

In addition, it is expected to attract 5-7 investors to investment sites of sub-regional units with agro-industrial specialization.

The values of target indicators in terms of the scenarios will be determined taking into account their values for the most developed municipal formations. The quality indicators for the strategic development scenarios can be assigned as follows:

- (i) Growth of the volume of industrial and agricultural production,
- (ii) Increase of the share of the fiscal budget revenues,
- (iii) Improvement of the indicators describing the social service branch development within the sub-regional units with agro-industrial specialization,
- (iv) Growth of the real earnings of the population, and
- (v) The number of the investment projects.

The implementation of the strategy of territorial development of a municipality with an agrarian orientation is a huge and complex task, determined by multiple goals and objectives, external factors, and specific characteristics of the region.

## V. IMPLEMENTATION OF THE RISKS OF THE IMPLEMENTATION OF THE DEVELOPMENT STRATEGIES FOR SUB-REGIONAL UNITS WITH AGRO-INDUSTRIAL SPECIALIZATION

Based on [5] and the research we have carried out, we can identify a number of risk factors that can affect the process of implementing the strategy for the development of sub-regional units with agro-industrial specialization and the effectiveness of the planned activities. It should be borne in mind that the current trends in geopolitical and economic changes can have both negative consequences for the implementation of the strategy, as well as new opportunities to improve the effectiveness of the measures taken.

Each of the risk factors for the implementation of territorial development strategy sub-regional units with agro-industrial specialization may entail damage to certain dimensions with a certain probability, as it is described in [6]. The consideration of possible risk factors, as well as the definition of a weighted average for all projects and activities envisaged by the strategy, is a very difficult task.

The risk object (the target indicators of the development strategy of territorial development of sub-regional units with

agro-industrial specialization) is exposed to a number of factors, the main ones of which include the following:

### A. Geopolitical factors

The growing geopolitical uncertainty in recent years negatively affects the investment attractiveness and the pace of development of Russian economy. Preservation of the sanctions regime against Russia is an important source of deterrence of investment potential.

Among other consequences of sanctions and counter-sanctions is reduction of competition for Russian producers within their market niches and decline in the ruble. Reduction of the availability of cheap foreign credit resources is an important factor determining the risk of securing the financing of the programmes. At the same time, it is difficult to assess how much this damage exceeds the possible benefits associated with ensuring stable domestic demand for import-substituting products and reducing the level of competition for Russian economic entities.

It can be decisively said that this factor has greater positive impact on the subjects of small and medium-sized business, where access to foreign credit markets is not essential. The positive effects of emerging market preferences for Russian companies within the domestic market are obviously not limited to the period of the sanctions regime, and will provide them with additional profits for many years. It is small and medium business that is the basis for the development of the national economy, ensures the sustainability of economic growth, reduces the negative effect of the cyclical nature of economic development, promotes diversification of the regional and national economy as a whole.

With regard to this and similar ambiguous geopolitical trends, it is advisable to mitigate possible negative consequences, as well as use the current situation for the maximum benefit for the socio-economic development of the region. For example, in order to fill the gap in credit resources at the national level, priority projects are already being financed at a lower credit rate.

At the same time, state authorities can contribute not only to increasing the share of Russian manufacturers in the domestic market, but also to promote the expansion of benefits for Russian exporters in foreign markets. Measures taken today to simplify customs rules for small and medium-sized business will significantly contribute to the export potential of Russian producers.

Especially relevant are these changes in the customs policy, together with the natural advantages of this situation for exporters, associated with a profitable ruble exchange rate. It is necessary to provide support for this initiative of the Federal Customs Service at the level of Voronezh region.

### B. Macroeconomic factors

Because of the unstable economic situation and the reduction in GDP in recent years, there has been a decline in the inflow of investment capital. Foreign investment is one of the important sources of economic development. However, despite a number of advantages associated with an increase in

the volume of real investment, acceleration of economic development and improvement of the country's balance of payments, foreign investment entails repatriation of profits, lesser control over the activities of companies, and, in the absence of additional investor obligations, may lead to a deterioration in the production and economic structure, adversely affect employment, etc.

In addition to improving the investment climate and increasing the size of foreign direct investment, measures are also important to create preferences for those investments related to high-tech industries, increased employment and skills, long-term investments in the real sector of the economy, and the introduction of new foreign technologies not represented in Russia. In this case, not only qualitative growth can be ensured, but also an improvement in the quality of investments.

Another trend of the recent years is the growth of social pressures and reduction in federal budget spending, as stated in [7], which leads to the change in its structure and reduction in the share of investment spending. Under the current problems of budget revenues at all levels, one of the main risks of implementing the strategy for the development of territorial development of sub-regional units with agro-industrial specialization is the underfunding risk. It jeopardizes not only the implementation of the projects put into the programme, but also the achievement of the strategic goals.

However, according to Russian and foreign forecasts [8], [9], negative trends in 2018-2019 should already switch to positive changes concerning the level of prices for energy products, increase in industrial production, which will entail an increase in budget revenues.

An important problem is also a decrease in the population's effective demand. Low effective demand of Russians determines the appropriate levels of consumption and volumes of the domestic market. This factor has made significant contribution to the decline in domestic GDP, however, the likelihood of further drop in real incomes and the effective demand of the population during the period of the strategy implementation seems quite low according to Russian and foreign forecasts.

### *C. Social factors*

The general trend in Russia is the expected decrease in the total birth number in subsequent years (2020-2030). Besides, the increase in the life expectancy of Russians causes the ageing of the population. All this fully applies to the demographic situation in the Voronezh region. Obviously, these demographic processes will determine the further growth of social load on the regional budget.

Reduction of the share of the working age population of the sub-regional units with agro-industrial specialization in the medium-term period will help stabilize or even reduce the unemployment level. However, it is difficult to consider such changes as positive ones, as the qualitative characteristics of the workforce acquire greater importance and determine higher level of social risk.

The above-mentioned demographic trends determine the importance of a competent regional policy concerning the matters of comprehensive fertility support, improving the quality of education and health care, as well as labour migration.

### *D. Innovation factors*

The most important factor of economic development in the modern world is innovation. Acceleration of the technological development leads to intensified competition and contributes to the growth of uncertainty at all levels of economic activity.

The increasing role of innovation entails increased risks associated with the planning and effectiveness of innovative projects, the provision of sufficient funding, and the increasing demands for the qualification of the employable population. In combination with the existing demographic trends, manifested through the decrease in the overall supply in the labour market, these risks are extremely significant at the regional and national levels. Since the consequences of this type of risk can be extremely significant, the development, implementation, and financing of programmes of increasing the labour potential of the region should receive the highest priority.

It is necessary to provide maximum support to innovative designs and projects that contribute to the competitiveness of the region. The growing competition among Russian regions for human resources makes it necessary to pay special attention to creating conditions for the preservation and attraction of the best qualified specialists, ensuring the competitiveness of the regional labour market.

The preservation of the sanctions regime, among other things, limits the access of Russian companies to certain foreign technologies that do not have analogues in Russia. This puts forward an additional incentive to support import substitution in order to reduce dependence on foreign technologies as well as innovative risks.

Factor analysis of risks, despite its widespread acceptance and visibility, is a very difficult task, since the identification of risk factors is not its result and ultimate goal, although it is the information basis for risk analysis. Based on the description of the set of risk factors for the strategy implementation, it is necessary to interpret the possible impact of the identified factors on the results and predict the complex consequences of the influence of a particular factor.

Unlike some types of pure risks (industrial, environmental, etc.), most of the economic activity risks imply a number of ambiguous consequences. The task of the subject of management in this case is not in avoidance or minimization of the risks, as it is usually assumed, but in the most accurate description of the possible consequences of risk realization and the development of an adequate response programme for the resulting limitations and opportunities that have arisen.

In the process of implementing the development strategies for the sub-regional units with agro-industrial specialization of the Voronezh Region, it is necessary to ensure regular monitoring and control over the implementation of the

planned action programme and achievement of the planned targets till 2035.

If necessary, based on data from participants in the strategy implementation, the action programme should be revised by making changes.

At the same time, it is necessary to ensure maximum openness of the monitoring of the intermediate results of the strategy implementation for the population and the expert community, which will facilitate the expansion of opportunities for direct public control and citizen participation in the strategy implementation.

Problem solving within the above-mentioned areas can reduce the risks of territorial development of the sub-regional units with agro-industrial specialization.

## VI. RESULTS

Opportunities for the development of sub-regional units with agro-industrial specialization are primarily related to the budgetary fund use in the framework of participation in the governmental programmes of the Voronezh region, as well as in inter-regional economic projects.

The main threat to attracting private investors is associated with a change in government policy regarding the support of the agro-industrial complex.

The key problems of the sub-regional units with agro-industrial specialization that should be solved during the implementation of the „Strategy for Social and Economic Development for the period 2035“ include (i) the level of the population’s earnings, (ii) the number of attractive jobs, (iii) the availability of mobile communications and Internet in rural settlements, (iv) the availability of leisure infrastructure and engineering infrastructure, (v) the state of highways of local importance.

The competitive advantages of the sub-regional units with agro-industrial specialization, which form the basis for the development of its strategic growth paradigm, allow us to formulate the general goal of the regional development in line with ensuring stable improvement of the living standards of the population through the sustainable functioning of the

economy and improvement of the municipal management efficiency.

Achieving this goal is possible through the implementation of priority projects related to the largest economic entities. Investors' attention to the region is postulated by the prospect of measures of economic and social support for the sub-regional units with agro-industrial specialization. It can be confidently asserted that the crisis phenomena within this territory have not become irreversible and, with due interaction of the population, public organizations, business and government, can be stopped in the medium term.

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