

2nd year Master's degree student  
of Management and Marketing Faculty of KhNUE

## EVOLUTION OF THE CONCEPT OF ENTERPRISE STRATEGY

*Annotation. An evolutionary approach to the concept of enterprise strategy has been considered. The following stages of the development of management systems have been identified: budgeting, long-term planning, strategic planning, strategic management. The necessity of formalizing the strategy has been grounded.*

*Анотація. Розглянуто еволюційний підхід до поняття стратегії підприємства. Виділено наступні етапи розвитку систем управління: бюджетування, довгострокового планування, стратегічного планування, стратегічного управління. Обґрунтовано необхідність формалізації стратегії.*

*Аннотация. Рассмотрен эволюционный подход к понятию стратегии предприятия. Выделены следующие этапы развития систем управления: бюджетирования, долгосрочного планирования, стратегического планирования, стратегического управления. Обоснована необходимость формализации стратегии.*

*Keywords: strategy, formalization of strategy, concept of strategy.*

The idea is always valuable for creation and management of a company. This is the engine of the business and the company's competitiveness. But very often this unique resource is not used to improve efficiency and, ultimately, profitability. Special attention to the strategic management aspects of enterprise development is a feature of modern management [1]. This is due to the fact that currently the Ukrainian market has entered a stage where the lack of developed strategy hinders the development of companies. Experience shows that only 5 % of existing firms have strategies, but they make a profit above the industry average. At the same time, in the western companies, the strategy development process is widespread. Studies of KPMG "World Class Transactions 2003" shows that 91 % of companies with successful experience of mergers and acquisitions, have a formalized strategy.

The purpose of this article is to show that the formalization of the strategy is necessary for the enterprise, and to describe how to change the concept of business strategy.

A formalized strategy, in its turn, provides the following benefits [2]:

setting up a framework for agreement and understanding between the shareholders, between shareholders and top managers;

determining priorities for investment decisions;

reduced time for decision-making;

forming the basis for improvement of business processes;

creating conditions for the delegation of authority and responsibility at the middle and lower levels of company management;

forming the basis for building an effective management structure;

an opportunity to motivate employees – the company becomes more attractive for them, strengthening its competitiveness in the labor market;

becoming more attractive for investors and competitive capital markets.

The presence of a working strategy gives a great competitive advantage – the ability to act purposefully.

Management strategy, based on the concept of building a Balanced Score Card, proposed by D. Norton and R. Kaplan, allows to [3]:

convey strategy to all employees of the company;

motivate to bind to its objectives;

align strategic and operational levels of management;

develop a strategy which is not an art, but clear and regular work of managers.

Instability of the development of modern Ukrainian enterprises, the availability of high market, credit, investment and innovation risks make it necessary to rethink the concept of strategy. The ambiguity of the concept of strategy is related to the identification of strategies with multiple forms of its implementation and the evolution of the elements of management systems at enterprises. Modern scholars distinguish the following stages of the development of management systems: budgeting, long-term planning, strategic planning, strategic management.

The concept of a strategy as the art of fighting originated in the era of budgeting, which has an exclusively internal focus, and reflected the outer side of the company by balancing thereby control system. At this stage, the strategy is defined in the aspect of competition and is based on military terminology.

The introduction of a long-term planning approach has given rise to a strategy as a set of long-term goals and objectives to ensure effective communication with the enterprise environment. But any objective forms the space of solutions, in which the company must make the optimal choice in terms of their own development.

At present the comprehensive planning strategy is increasingly considered as a detailed comprehensive and integrated plan designed to ensure the implementation of the organization's mission and its objectives [4].

After that, the strategy is perceived by managers as a line of conduct. This treatment is associated with a real understanding of the strategy. And the strategy as a plan and the strategy for a course of conduct are equal: the organization

develops plans for the future and displays the principles of behaviour from its past.

Further development of strategic planning generates the definition of the strategy as a means of action. The emphasis here is new rules with a view to the environment. For example, Thompson and Strickland define strategy as a set of all activities contributing to the organization's objectives, which are partially planned and partially responsive to the changing environment.

In the evolution of the concept of strategy attempts have repeatedly been made to unite different approaches. H. Mintzberg attempts to summarize a "5P": plan of action, principle of conduct, principle of behaviour, position in the environment, perspective [5].

Thus, strategic decisions:

are complex and involve varying degrees of uncertainty;

are innovative;

provide for structural changes in all areas of the enterprise;

are based on resource constraints;

have long-term consequences;

translate the organization from its current position to the desired and predicted future state.

Strategy captures what solutions the company has to take in the present to achieve the desired goals in the future, based on the out of the way, and will change the environment and the living conditions of the enterprise [6]. The company identifies and implements solutions in the present, providing a definite future, but does not produce a plan of what should be done in the future.

Enterprise strategy should be based on the determination of the optimal path of development, on a vision of the future, of qualitatively new conditions, on the formation of favourable business conditions and consists in the adoption of innovative solutions aimed at creating hard copied competencies by other companies.

*Наук. керівн. Котлик А. В.*

---

**References:** 1. Howard E. Strategic Management. Managing the New Public Services / E. Howard ; ed. by D. Farnham and S. Horton. – 2nd edition. – New York : Macmillan, 1996. – 56 p. 2. Moncrieff J. Is strategy making a difference? / J. Moncrieff // Long Range Planning Review. – 1999. – Vol. 32, No. 2. – P. 273–276. 3. Kono T. Changing a Company's Strategy and Culture / T. Kono // Long Range Planning. – 1994. – No. 27 (5). – P. 85–97. 4. Derek A. Strategic Windows / A. Derek // Journal of Marketing. – 1978. – July. – Vol. 42, issue 3. – P. 21. 5. Drucker P. The Practice of Management / P. Drucker. – New York : Harper and Row, 1954. – 131 p. 6. Hamel G. Competing for the Future / G. Hamel, C. Prahalad. – Harvard – London : Business School Press, 1994. – 13 p.