

## PROPOSALS FOR IMPROVING STRATEGIC PLANNING IN UKRAINE

Strategic goals and long-term vision are just as important for any company as the ability to quickly adapt to market changes, achieve results, meet deadlines, and be proactive when it comes to troubleshooting. Strategic planning enables a company to have a firm market position because the management will take decisions based on long-term business goals.

A strategic plan should be long-term and provide for flexibility so it can be altered when necessary. In essence, it is a program for a company to operate over long periods of time. It has to be adapted to the ever-changing business and social environment.

An analysis of external environment allows determining positive and negative factors (threats) for the company: political, economic, scientific and technical, social, international, etc. It is also crucial to analyze market factors such as macroeconomic analysis of supply, demand, and competition.

Depending on the company development cycle, there are basic strategies to choose from:

growth strategy – company's intention to increase sales, profits, capital investments, etc.;

stabilization strategy – a good solution for volatile sales and profits;

survival strategy – defense strategy used to go through a deep crisis.

Substrategies can be divided into two groups: functional and resource-oriented.

Functional strategies include: marketing strategies; production strategies; R&D and experimental strategies.

Resource-oriented strategies are: human resources and social development strategies; logistical support strategies; organizational strategies; investment strategies; financial strategies; technical development strategies.

To implement a strategy one would have to develop programs, budgets, and procedures for short- or long-term, which altogether can qualify as a strategy implementation plan. Strategies can be evaluated both through quantitative criteria (return, size of sales, earnings per share) and through qualitative measurements (personnel's qualification).

In practice, and in theoretical reasoning it is very difficult to determine where the moment when the process of strategic planning ends and the process of implementation of the strategic plan begins. In our opinion, stages 1–3 are clearly related to strategic planning, including the formulation of a basic development strategy. The processes of formation of functional and product strategies (stages 4–5) by and large represent a strategy, and therefore with good reason can also be attributed to the process of strategic management.

There is no single strategic horizon planning. As noted by the well-known experts in the field of strategic

planning D. Cleland and V. King, the length of the strategic planning interval is of great methodological importance. As a rule, the planning period should be based on economic projections that take into account general trends, and not cyclical fluctuations of the economy. An organization should plan with a perspective that is useful to it, but no more than reasonably accurate. This is an axiom: the further into the future planning extends, the less reliable the forecast becomes.

Strategies are formed in the process of interaction vertically according to specially designed procedures. Individual strategies (acquisitions, participation in modern enterprises and new projects), which cannot be assigned to any one division, are developed by the planning department or development department and are carried out at the enterprise level as a whole.

Strategic planning allows you to set realistic goals for the future, allocate resources (required to obtain these results), as well as steps needed to achieve these goals and objectives.

The main goal of strategic planning is to create and reform business and products.

Among other key goals of strategic planning is the selection of directions and arrangement of processes so that a plan can hit the targets set, including in unforeseen events such as that can affect company in a negative way.

Strategic planning that the basic concept of planning is that the environment is constantly changing and the future is open to question. For that reason, it is unrealistic to accurately define the company's work for many years in numbers. However, it is quite possible to establish market trends and factors that will influence a particular business, which is the first objective of strategic planning. The second one is mapping out a plan of actions that would create maximum competitive advantages for the business in the future.

It means that the purpose of strategic planning is outlining how the external environment will change and how different scenarios can potentially transform a company.

On average, strategic planning covers a span of 3 to 10 years. However, the timing largely depends on the company size. As the business systematization and effective management experts note in his blog, large companies can plot a course for 5 to 10 years, small companies – 1 to 2 years, while overall owners should think about long-term development as well. Companies should hold strategic sessions as part of the strategic planning that would require company officers to develop a vision and goals for the next year. To that note, it is important for strategic planning to include all key officers.

It identifies three types of goals: quantitative, qualitative, and organizational.

Quantitative goals: turnover, profit, number of clients, average payment amount, profit margin, etc.

Qualitative indicators: desirable product features, geographical activity, professional level of the team, market reputation, etc.

Organizational goals: organizational structure, business processes, automation, etc.

The company's management should assess which parameters will become the cornerstone of business planning and jointly develop a common vision of these indicators at the year-end.

It is important to divide main goals into intermediate goals in quarter increments. In fact, the entire strategy should become a set of projects that need to be implemented to achieve the main goal.

The horizon of strategic planning is usually quite long – 20-30 years ahead. At such periods of time, it is impossible to give a precise estimate of when certain events take place. However, one can still see general trends, make preparations, and wait. When there are signs of a predictable situation, companies can use a premade scenario and start the production or sales. Some other company without such planning can indeed make similar decisions but will lose time as a result, which is a crucial factor in competition.

The optimum horizon of strategic planning in Ukraine is 3 years. It is important to understand that for Ukrainian companies, preparation and adoption of a strategic development plan will not align with identical plans in developed economies or countries where legislation is rarely changed. Another point to bear in mind is that Ukraine is a small country compared to other economies and, therefore, will be influenced by large states that supply resources or technological products.

Ukrainian companies make many mistakes during strategic planning. One of the most common is to assume that market growth will repeat its pattern, and competitors will act as they used to. In practice, everything is quite different. Besides, strategic planning does not always factor in macroeconomic factors that are very important in modern realities.

Companies are well aware that the existing business model will not be functioning well, say, due to restrictions imposed with new laws, strong international players entering the market or rapid increase in competition. That is why the business tries to maximize gains, enjoy their quasi-monopoly, increase short-term earnings while virtually making no effort in the target segment to satisfy their customer, generate and add some value, build-up loyalty.

Attempts to classify modern schools of strategic management made by B. Richardson and R. Richardson, as well as G. Mintzberg and others, are ambiguous and in many respects controversial, so we offered our own vision of this issue, identifying three constructive schools: K. Andrews, I. Ansoff and M. Porter, as well as several

descriptive ones that create the necessary groundwork for the next qualitative breakthrough, creating a new "Constructive school".

Owners are likely to seek for a new niche where they can apply their skim-the-cream model if the current one offers fewer benefits. It is also important to start strategic planning by reference to the needs of the target segment and values that a company can bring.

In Ukraine, it became more and more evident in the context of personal development, which can be seen from an increased popularity of training sessions, workshops, and other educational platforms about personal strategic planning, which is not the case with business planning. Small and medium businesses believe it is very expensive and meaningless due to the high volatility of the external environment, large companies tend to actually use planning instrument but are often very bulky to keep them updated. However, there is good news too. For small- and medium-sized companies, there are approaches to strategic planning that fit their size when planning does not resemble a cannon shooting at a flea.

Modern businesses are forced to operate under aggressive changes, and decade-old models sputter as efficient companies are becoming non-profitable all of a sudden. It is crucial for owners and managers to be ready for new approaches, to recognize errors, and to learn from them. This can often imply an assignment of managerial duties to officers of the new generation or independent board of directors.

Strategic planning is a comprehensive tool for problem analysis and troubleshooting. In the context of strategic planning, there should be a management plan designed to arrive at the company's targets and accomplish its mission. A strategic plan allows owners and senior management to understand the long-term development vector and help to make efficient decisions.

Conclusion is that strategic planning is the cornerstone of a balanced and exploding growth for any company.

## References

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