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APPROACHES TO THE DEVELOPMENT OF BUSINESS GROWTH STRATEGY

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Abstract. This article investigates the theoretical foundations of structural characteristics and the choice of business growth strategy as an important managerial factor of its effective operation. The approaches to strategy development are subjected to generalization. It is shown that strategy is the directing vector of factory management and its production and business operations in the modern globalized, dynamic and competitive market environment.

Keywords: strategic planning, technology, instruments, strategic indicator, production strategy, effectiveness.

1. INTRODUCTION

The fundamental problem of all business enterprises operating in the modern environment is a problem of its survival and maintenance of a sustainable strategic development. An effective solution to this problem lies in the creation and realization of competitive positions that can largely be achieved through a properly designed business growth strategy. The strategy is an objective basis to give the answers to such important to the company questions: in what industry or what markets should operate a business enterprise; how to divide limited resources effectively; how to compete.

Efficient operations and development of domestic enterprises is impossible without the development and implementation of consistent strategies (financial, production, innovation, marketing, investment, etc.). Strategic planning is designed to generate reasonably prospects functioning enterprises to specify ways and directions of development, realize the long-term intentions. The quality and effectiveness of its strategic decisions on the business largely depends on the effectiveness of development strategies, information, financial, personnel, logistics process. All this proves the necessity of developing theoretical and methodological principles of formation and development of technologies of strategic planning.

However, despite the fact that a sufficient number of works is devoted to the investigation of competitive strategy and growth strategy, an analysis of mechanisms to facilitate the competitiveness of business enterprises is not understood to the full extent. The following is intended: the process to facilitate the competitiveness of business enterprises is not fully investigated, which includes the division into specific stages and requires the use of certain instruments; the clear mechanism to facilitate competitiveness is not available, which, if implemented, can support and upgrade the

competitive positions and overall business growth strategy; by virtue of the absence of objective-logical and reliable models the dependence between business competitiveness criteria and competitive positions and resources and the sources of competitive positions is insufficiently investigated.

2. ANALYSIS AND PUBLICATIONS

At the present stage of economic development a significant contribution to the development of theoretical and methodological principles for the formation and realization of business growth strategies was made by such scholars as I. Ansoff, G. Steiner, T. Adaieva, R. Yershova, I. Pichurin, F. Kotler, M. Porter, R. Fatkhutdinov and others. Each scholar offers their own understanding of the process of growth strategy formation, the choice of the best possible strategic option drawing attention to any approach to the strategy development.

Unfortunately, the issues of business strategy formation remain insufficiently studied, namely: marking a series of steps in the phases of strategies development and realization; consideration of economic and organizational issues of strategic marketing.

The purpose of the article is to determine of fundamental approaches to the strategy development as a part of business enterprise operation, to represent classical approaches to the formation of business growth strategy and the basic principles of their presence in the modern business environment.

Nowadays in the system of public production the global changes are taking place. The transition from consumption in bulk to diversified consumption is being made. Modern technologies, especially information, make it possible to manufacture small batches of multivariate produce to meet different consumers' tastes.

Constant innovations and changes become a necessary condition for a business enterprise existence. An inherent instability of organizational and production systems performance is being increased. In the context of transitional period and the economic crisis in Ukraine the main goal of the vast majority of businesses is an adaptation to conditions of an increased agility of external and internal environment. Therefore, enterprises need appropriate growth strategy which would become a basis for management effective decision-making.

The strategic nature of choice of the purpose of domestic enterprises performance becomes a priority for senior managerial personnel. Since every business enterprise is unique in its nature the process of creation and realization of strategies for each of them is individual and depends not only on the external and internal environment, but also on their interaction.

The strategy consists of many competitive actions and approaches that affect effective enterprise management. Managers (head officers) develop strategies in order to identify in which direction the company will develop and how it will function. The choice of particular strategy means that from the set of development paths and courses of actions that are opened to the enterprise the decision is being made to choose the one in which it will develop. Without the strategy an executive management does not have a deliberate plan of action and common program to achieve the desired results. To make a strategic choice means to combine business decisions and competitive actions together. The unity of actions and approaches will display the current strategy of an enterprise. Discussion of new actions and approaches opens the possible ways to change the current strategy. To this end the relationship between the objectives to be achieved and the available enterprise capabilities, its raw materials potential are being inspected [1-6].

Based on the compiling of "aims-capabilities" matrix a quantitative assessment of proportion of the enterprise needs and capabilities in the achievement of goals is conducted. In case of noncompliance the tactical programs are developed which will eliminate the detected imbalance. The analysis of noncompliance is carried out according to all indicators and directions of performance based on data from the first stage. If the enterprise available resources do not allow the achievement of objectives, it is necessary to return to the second stage and correct the objectives to be achieved. The result of the process of objectives connection and enterprise resources is the alternative forms for its development, which differ both in quantitative characteristics and time to achieve these objectives.

Based on the concepts of existing schools of strategic planning it is possible to allocate five the most common approaches to the strategy development - formalist, spontaneous, positioning approach, marketing and approach based on the concept of TQM.

The supporters of the formalist approach to the process of formation of enterprise competitive strategy increase are I. Ansoff and G. Steiner. In 80-90^s of the XX c. I. Ansoff developed an analytical model for business development strategy. He found that many companies in the creation and realization of strategies encounter opposition from a variety of economic, technological and social factors, which he called turbulence. According to him, a method that is chosen should vary depending on the degree of turbulence of the enterprise external environment. In his analysis five degrees of turbulence correspond to five different approaches to strategies creation. The study conducted by him shows that noncompliance of the degree of turbulence and approach has an adverse effect on the final result [8].

M. Porter, using the idea of the value chain, offered to consider a strategy as an analysis of internal processes and interactions between various components of the enterprise in order to determine how and where the value is added. In such case the strategy is a positioning of the enterprise to the industry environment [3]. In my opinion, the drawback of a formalist approach to the formation of enterprise competitive strategy increase lies in distinction of the strategic thinking from the actual managerial practice, thus, significantly limiting enterprise in the issues of strategy adjustment and the development of new strategic options in order to maintain competitive positions.

The founders of the positioning approach – M. Porter, BCG and McKinsey&Company, consider formation of a strategy as a controlled and deliberate process and as a result of which the strategies that represent company specific, common and market positions (economic and competitive) appear and which can be identified and deliberately, on their own, provide protection against competitors attacks - current and future. Market structure actively encourages the creation of defined positioning strategies affecting, in turn, the organizational structure [9].

M. Porter believes that “the essence of strategy formation lies in the need to link company with its external environment. The most effective strategy for a company is a unique structure that reflects its specific standing”. He allocates three fundamental areas of the development strategies of an enterprise behavior on the market. The first area relates to the leadership in minimization of production costs. The second one is related to specialization in manufacture of products. The third area relates to fix of a particular market segment and focus on this market segment. The dominant strategies and competitive conditions are defined according to the stages of an industry life cycle, structure of the industry, the nature and relative strength of the five competitive powers and breadth of a competitive rivalry [7-9].

M. Porter’s studies are reflected in the works of A. A. Thomson and A. J. Strickland who, taking as a basis the fundamental strategies proposed by M. Porter, identified four different approaches to the business growth and which are related to changes in the status of one or more of the elements - product, industry, market, company position within the industry and technology.

In the studies devoted to the business growth strategy a definition of the term “competitiveness” is associated with such characteristic as the presence of competitive positions. According to M. Porter, a company competitiveness depends on competitive position which is created and sustained through highly localized processes – “chains of values”. Competitive position, in accordance with M. Porter’s definition, is formed as a result of many individual operations that make up the processes of development, production, marketing, delivery and maintenance of each company product. Each of these operations can contribute to establishment of the company competitive position in respect of costs and provide a basis for differentiation. Various operations concerning a value creation present individual building blocks that make up the overall picture of competitive positions. Comparison of the value chains between companies-competitors helps to identify differences that underlie competitive positions. The concept of competitive positions assumes company potential capabilities to be better (in certain business operations) than the competitors. Depending on the difficult external conditions and internal circumstances this problem is solved by different organizations in different ways [7].

Each of these elements exists in one of two states - existing or new. In this respect, the basis of the process of business growth strategy development is the concept of benchmarking, which in recent years is dominant in the system of modern approaches to the quality management.

The relevance of this concept is confirmed by the primary purpose of benchmarking - business improving and increase of the enterprise competitiveness, has a strategic nature for the organization and gives it the status of a full management instrument. In the process of identifying the key directions of business growth and the creation of new competitive positions in terms of positioning approach two main types of benchmarking are used – performance and process.

Thus, as the study by A. A. Thomson and A. J. Strickland has shown the use of marketing and high-quality component in the process of formation of enterprise competitive increase strategy contributes to the continuous business growth and the creation of new competitive positions.

M. H. Mescon also adheres to the positioning approach to business strategy formation and believes that the strategy should be developed from the perspective of the whole organization. At the heart of this process are an extensive marketing research and factual data about the industry, market and competition. According to the scholar, the organization is set four main strategic options - limited growth, growth, reduction and combination. Once the executive management considers available strategic options, it applies to a particular strategy.

The aim of the process of strategy creation to increase the enterprise competitiveness is a strategy that would increase the long-term effectiveness of organization to the limit. Such factors influence the strategic choice: risk, knowledge of past strategies; shareholders reaction; time factor.

Jean-Jacques Lambin deepens and expands some issues of business strategy formation developed by M. H. Mescon. Specifically, J. J. Lambin recommends beginning development of business strategy from the analysis of its activity portfolios based on typology of markets by the Boston Consulting Group matrix. This matrix he complemented with path of companies that have achieved success and failures. The final choice of strategy to increase competitiveness, in his opinion, should be made by the head officers according to the following strategic options - to invest in order to keep the occupied position; to invest in order to improve the occupied position and increase competitiveness; to invest in order to regain lost position; to lower the level of investment with a view to "harvest"; to deinvest and leave the market [1].

A number of modern scholars and professionals dealing with the formation of business strategy also adopted the positioning approach. Thus, A. G. Porshniev identifies three stages in the analysis of alternatives and strategy creation - strategy development which makes it possible to achieve the objectives; bringing strategy to the level of adequacy to company objectives and formation of a common strategy; analysis of alternatives within a selected common business strategy and assessment of their suitability to achieve the main objectives. In order to improve the process of formation of the organization competitive strategy, A. G. Porshniev proposes a strategic segmentation in order to highlight the areas of strategic management. However, despite the objectively practical significance of the positioning approach, in our opinion, it does not adequately take into account marketing and qualitative component of creation of the enterprise competitive strategy.

The founders of the spontaneous approach to the strategy development - J. Quinn and H. Mintzberg believe that the process of a strategy creation has to constantly expand and that the strategy appears spontaneously, and not as a result of careful planning. In this approach, the strategy development turns into a mode of study. Strategic initiatives are undertaken by those who have capabilities and resources for study. Some initiatives are developed on their own or by trial and error method, while others are supported by middle managers who distribute them to the team and bring information to senior management, which encourages their development. Strategic initiatives that have received support take the form of a determine strategy [5].

The spontaneous approach to formation of the enterprise competitive strategy also found support among some modern scholars. Thus, Yu. B. Rubin notes that each organization provides a polystrategic search, i.e. when creating a strategy it uses two corporate strategies – for the monopolization of the market and for the integration of its operation into a single operation process under the laws of market

competition. The reflection of that provision is a very integration strategy which is based on firms understanding of the dynamics of “competition-monopoly” correlation [2].

The spontaneous approach adds to the process of development of the strategy to increase enterprise competitiveness a practical content. However, based on descriptive studies, it does not promote a creation of holistic strategy that meets the needs of external and internal environment.

F. Kotler examines the process of strategy formation from the perspective of the marketing positions. He offers realization of the following stages of research to determine the common business strategy: definition of firm behavior strategy in the market; definition of strategies to reach the market; choice of target market segments; formation of strategy to develop new products; resource selection strategies; choice of pricing strategies; choice of means and methods of goods promotion; formation of a strategy to stimulate product sales; advertising strategy formation; formation of business growth strategy.

The possible areas of enterprise growth allocated by F. Kotler are:

- restrained strategy - in a deficit with response means, confidence in customer loyalty or completion of activity in a given market;
- selective reaction - a reaction in response to the competitors behavior in the field of advertising and pricing;
- random response resulting from personal reasons.

The final choice of strategic initiatives, according to F. Kotler, is determined by the role that the company plays in the competitive struggle – leader, pretender for the leadership, follower or the one that “entrenched in a niche market” [1].

As you know, any business activity aimed at making profit. Profit enterprises defined scope and nature of production. In current market conditions functioning one of the key strategies and activities of each company is marketing. It provides market orientation of the company; defines the characteristics of the product; involves the selection and formation of the target market, the range and variety of products. Determining marketing strategy for the formation of the company is market demand.

At the output of the process of developing the strategy to increase enterprise competitiveness is a strategy focused on the consumer. Thus, one of the main conditions for the efficiency of this process is the need to coordinate the effects of various consumer offers with various macrogroups of the market environment - trade unions, government, non-governmental organizations. The concept alike is called “macromarketing” and is regarded as a special type of strategic thinking.

The main ideas of the concept of “macromarketing” are similar to the marketing interaction theory, the relevance of which is now confirmed by the growth of the proposed standardized products and the formation of marketing decisions that are repeated.

The production strategy is largely dialectically related to the marketing, under its choice depends primarily on the characteristics of the enterprise market. The demand for products is the key and the only criterion which creates the need for its production, planning the production program of stabilization or decline of production of specific products. It should be noted that the economic feasibility of production of a type of product caused by its profitability. Given the above, it is advisable when selecting the type of industrial strategies guided by criteria such as income from sales and demand for these products [10-12].

The validity of the choice of a certain type of technology strategic planning of the company determined list of factors that determine this choice. These factors include: the stability of market conjuncture, the scale of the enterprise, the enterprise life cycle, the level of strategic planning at the enterprise features of the organizational structure of management, centralization of management at the enterprise level of diversification of the company, qualification and competence of employees working in planning, level of automation.

Taking into account the foregoing, it can be noted that each of the existing approaches to the formation of business growth strategy has a certain self-independence. However, their application in practice is limited, because these approaches represent only one side of the process of strategy

development. In my opinion, the most effective is an integrated approach to the process of formation of the strategy to increase the enterprise competitiveness, based on the studies of A. A. Thomson, A. J. Strickland, M. Kotler and the concept of TQM, as their approaches to the strategy development, in its totality, reflect all possible directions of business growth, taking into account the state of the industry and the place which the company holds in the industry in terms of agility of an external and internal environment.

3. CONCLUSIONS

Thus, on the basis of the conducted analysis it is evident that the realization of an integrated approach to the development of business growth strategy in practice will enable its executive management to concentrate its efforts in organization operation on several fronts at the same time, thus, covering the entire field of market opportunities and contributing to the achievement of a sustainable competitive position. The use of the integrated approach contributes to making the optimal strategic choice inclusive of enterprise resource capabilities, reduces the risk of erroneous decision-making, and makes it possible to significantly reduce the time and material expenditures during the process of strategy development.

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В даній статті досліджено теоретичні засади структурної характеристики і вибору стратегії розвитку підприємства як важливого чинника управління його ефективною діяльністю. Проведено узагальнення підходів до розробки стратегії. Показано, що стратегія є направляючим вектором управління підприємством та його виробничо-господарською діяльністю у сучасному глобалізованому, динамічному і конкурентному ринковому середовищі.

Ключові слова: стратегічне планування, технологія, інструментарій, стратегічний показник, виробнича стратегія, ефективність.