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**APPLICATION OF FOREIGN EXPERIENCE IN STRATEGIC  
PLANNING BY DOMESTIC ENTERPRISES**

**Abstract:** The author analyzes foreign experience of planning at enterprises and examines the developments of theorists and experts in order to use them in Ukraine. The nature and meaning of strategic planning are explained. Several methods of strategy development peculiar to foreign enterprises are outlined (individual, collective and export ones). The issue of introduction and improvement of strategic planning system at food industry enterprises of Ukraine is examined. The stages of planning commonly used by domestic enterprises are defined. The major problems of strategic planning application at domestic enterprises are outlined. Main directions and functions of strategic planning at food industry enterprises are summed up. Modification of existing approaches in strategic planning towards orientation at the unique values and corporate culture is suggested in order to take into account the ideas of employees and to apply the experience of highly professional foreign experts.

**Keywords:** foreign experience, enterprise, strategy, strategic planning, food industry.

**JEL Classification:** L52, I12, O20

**Introduction**

Market principles of modern enterprises' functioning and development stipulate the need for drastic changes in the system of management, including the planning of their activity towards greater independence. Indeed, enterprise's independence contributes to the development of efficient plans and making of best decisions on the basis of real local conditions. This will lead to understanding of the importance of permanent market examination and its readiness to face market fluctuations. Open enterprise's system as its new quality under the market conditions and direct dependence on supply and demand interaction stipulate the necessity to create the system of enterprise planning and management, which is able to quickly and efficiently react to market needs. All the mentioned

above should be reflected in strategic plans of enterprise's activity. It is necessary to understand the nature of strategic planning and the stages and methods of strategies development and to use foreign experience in order to conduct efficient strategic planning at domestic enterprises.

### **The purpose of the article**

The article aims to research and systematize the methods of strategies forming on the basis of foreign experience of strategic planning in order to be used by domestic enterprises, including those in food industry.

### **Research results**

#### **1. Theoretical basics of planning process**

Planning at enterprises is one of the major management components along with traditional ones: organization, motivation and control. A lot of scientists have devoted their research to the issues of planning at enterprises. However, it is obvious that approaches to planning were formed in different ways due to different economic mechanisms.

Numerous special research in Europe and the USA have long ago emphasized the fact that enterprises have much better economic results due to planning rather than without systemic planning. Evolution of theoretical basics of planning process abroad can be outlined the following way (Table 1).

**Table 1. Theoretical base of planning process**

<b>Scientific directions</b>	<b>Major principles</b>
XV-XVI century N. Machiavelli	Decision making principle: when making management decisions, a leader should carefully weigh all the pros and cons and rely upon one of them, because absolutely flawless decisions do not exist
XIX century	Management splits into numerous subfunctions - planning, record keeping, sales, purchases, organization and statistical analysis of production.
Entrepreneurs, engineers and scientists R. Arkwright, J. Watt, M. Boulton, Ch. Babbage, W. Jevons	The system of dividing of labor process into separate operations made it possible to plan all the production issues more efficiently, to control performance and to encourage an employee.
F. Taylor	Took all management functions away from minor executives and concentrated them in a new unit - planning bureau. The functions of planning bureau are: planning - coordination of tasks, providing the employees with documentation, instruments, raw materials, etc.
H. Fayol	Identified planning as the separate management function and defined the planning principles: unity, continuity, flexibility, preciseness, participation.

L. Urwick	Determined the dependence of planning on prognosis.
M. Follett	Emphasized the inconsistency of environment. Recommended conducting the planning process permanently. Affirmed that realization of plans depended on to what extent these plans and principles of their implementation were mentally and emotionally understood by the plan executives.
K. Marx, M. Weber, A. Berle, G. Means, D. Bell, J. Bernheim, R. Gordon, R. Lerner, P. Drucker	Separated ownership and management leading to more efficient making of plans.
M. H. Meskon, M. Albert, F. Hedueri	Allocated planning into separate management function. Extended the principle of targets unity for all members of organization. Systematization of types and methods of planning.
A. K. Hast	Proved insufficiency of attempts to plan the low economy growth paces in advance. Emphasizes the improvement of labor intensity. Defines the major task - conducting of overall productive planning.
R. Ackoff	Planning is primarily a decision making process. Substantiated principal approaches to planning: satisfaction, optimization, adaptation.
L. V. Kantorovych	Suggested mathematic methods of organization and planning of industrial production
H. Koontz, S. O'Donnell	Planning is the process of alternatives evaluation.
D. Hahn, H. Hungenberg	Substantiated the necessity of value-oriented concept of planning and controlling, initiating the emergence of mathematic methods and planning models.
Japanese planning model	Stipulates separate plans for each unit. On their basis the general plan of the whole company is prepared. Planning stages: 1. Announcing of the company's strategy. 2. Guidelines about planning in the units. 3. Defining of the branch planning policy. 4. Preparation of each unit plan. 5. Preparation of draft budget of the unit. 6. Preparation of the draft branch plan. 7. Preparation and adoption of branch plans. 8. Assigning of the adopted draft plan to the branch. Each manager is responsible for achievements of only those provisions indicated in this document.
Modern management	Modern planning system stipulates making plans for different periods: short-, medium- and long-term. Strategic planning is nowadays the fundamental rather than formal procedure. Strategic planning is based on the analysis of organization's internal affairs and external surrounding of an enterprise at the market.

Source: Formed by the author based at Ansoff 1999; Korsun 2012; Mintsberg 2000; Weber 1998; Wilson 1998

Summing up information in Table 1, strategic planning can be presented as an activity on defining of major economic system development directions that includes the following processes:

- analysis of current condition of an enterprise in order to examine available resources, problems and opportunities as well as reasons leading to these problems or opportunities;
- prognosis of the future condition of internal and external environment and perspectives of activity type development as well as defining of possible perspective threats and opportunities for an enterprise in these environments;
- process of establishment and justification of objectives and tasks (including all the parameters: time limits, funds, resources, etc);
- process of determination of ways and methods of their achievement as well as allocation of funds and resources assigned for plan adjustment;
- process of organization of tasks accomplishment control, selection of decision making methods and defining of authorized persons.

Market conditions nowadays prescribe the nature and target orientation of planning at enterprise and require well-timed consideration of external influence factors by the enterprises' managers (competitors, sales markets, suppliers and consumers) and aspiration to prevent the influence of scientific-technical, socio-economic, organizational, economic, political and other changes.

## **2. Application of foreign enterprises' experience**

Majority of foreign enterprises use strategic planning as the tool to achieve high economic indicators in their activity. However, direct application of methodic tools used abroad without their adaptation to current economic activity conditions in Ukraine is deemed to be inappropriate, primarily due to different levels of enterprises' development (Romanenko 2012, p. 33).

Nowadays, the following planning stages are widespread among foreign enterprises (Korsun 2012, p. 33):

- statement of the components of future planning problems and defining the system of organization's expected threats or opportunities;
- search for alternative solutions of the stated problems;
- justification of defined strategies, objectives and tasks planned;
- planning of major means to achieve the stated objectives;
- defining of the need for resources;
- modeling of the developed plans introduction and control over their accomplishment.

Domestic enterprises are characterized by:

- development of plans and making decisions on future objectives of an enterprise and ways of their achievement;

- organization of planned decisions implementation and evaluation of real indicators of enterprises' activity;
- control and analysis of final results, adjustment of real parameters and improvement of enterprise's activity.

It is obvious that the planning systems at domestic and foreign enterprises have common base, however in our country the planning system is more primitive and complicated for making adjustments.

Nowadays a lot of enterprises are inclined to underestimate the role of planning at enterprise, relying on personal business connections and private experience of Ukrainian entrepreneurs, who are used to adjust to conditions and changes in external environment. However, large enterprises emphasize the positive correlation between strategic planning under the market conditions and the success of conducting business in different spheres.

The major task of strategic planning is to develop strategies, which maintain accomplishment of a mission and tasks of business development within the capabilities of an enterprise with acceptable risk level. In fact, there is no business without risk (Shvets 2009, p. 150). Therefore, it is necessary to specify the identification of strategy forming methods at all stages of strategic planning.

Currently there are several methods of strategy development peculiar to foreign enterprises.

The first method is individual, the one developed by the owner of an enterprise. This method is peculiar to enterprises with authoritarian manager. It is characterized by clear subordination and indisputable submission. Owner or executive director independently defines the company's idea and specifies the vision (objective to be achieved), mission (the trace left behind), corporate culture (the rules of conduct) and strategic plan.

This method of strategy forming is possible when an enterprise is under the processes of creation or reorganization. In this case a manager can gather everyone and announce his/her idea.

The second method is the collective one, when strategy is formed by the employees of an enterprise. After all of the ideas are announced, the principles are adopted by a majority of votes for everyone to adhere to. Those, who remained in the minority, have to decide, whether they accept changes or leave the enterprise.

This approach is in fact rarely used by domestic enterprises. It can be really innovative for enterprises. Nowadays the management of various levels almost never arranges meetings to discuss issues important for the development of an enterprise's activity. The managers of departments might arrange meetings with employees, but even in this case the matters for consideration are reward policy or repayment of medical leaves.

The third method is the expert one, developed by independent experts. Experts come to the enterprise, analyze business and suggest final decision and final corporate strategy. This option is very easy from the viewpoint of development; however it is complicated for introduction and adaptation (Marahovska 2015, p. 94-95).

The task of this method is not to provide a new strategy, but to encourage the managers of the higher enterprise management body to make correct decisions. Experts obtain all information from the owner of the business, analyze this information and prepare results in the form of instructions for execution, but they do not provide final decisions. Positive result of experts' activity is not possible without close cooperation with concrete representative of an enterprise, who is the transmitter of an idea developed by an expert. If there is no such authorized person at the enterprise, the project is bound to fail.

Concrete strategic objectives of an enterprise contribute to the development in the period of growth, to overcoming of crises, to optimization of resources and to working as a single team.

Usually the strategy is developed for a few-year-perspective, specified in different projects, programs and practical actions and implemented in the process of its accomplishment.

Significant labor and time costs necessary for creation of enterprise's strategy do not contribute to its frequent change or considerable adjustment. However, the way it is developed depends on numerous factors, from the personality of a manager to the sphere of enterprise's activity.

### **3. Strategic planning at food industry enterprises**

Modern paces of change and accumulation of knowledge are so huge that strategic planning is the only way to predict future problems and opportunities for all enterprises, including those in the sphere of food industry.

In the world practice the food industry enterprises use two approaches to development of strategic planning: functional and target-oriented.

Strategic planning on the basis of functional approach is used by enterprises in the dynamic or competitive environment. Target-oriented strategies stipulate stable environment.

Nowadays the first approach is more widespread in Ukraine as far as only successful and efficient enterprises can afford elaboration of development strategy in accordance with the vision and values, which did not receive much attention beforehand.

The strategy of food industry enterprises' development should combine the simplicity of perception and completeness of expression and stipulate the development of a certain mechanism of its implementation. Accordingly, all the elements of enterprise's structure represented by its

management should possess certain knowledge and resources, and the most important - the desire to implement the chosen strategy.

Therefore, despite some growth of production volumes, domestic food industry enterprises face the range of problems, which can negatively manifest themselves in case of growing competition with other enterprises, including: traditional orientation at the strategy of cost saving; strong dependence of price setting on the condition of raw materials markets due to high materials intensity of production; complicated implementation of production differentiation strategy due to technical and economic difficulties (strict binding of food production with the system of standards, lack of funds, low development level of information basis and communication systems, etc) (Milyeva 2009, Available from: [http://www.nbuu.gov.ua/old\\_jrn/soc\\_gum/Tiru/2009\\_28\\_2/51.pdf](http://www.nbuu.gov.ua/old_jrn/soc_gum/Tiru/2009_28_2/51.pdf)).

Development of integration processes in food industry can be named as strategic alternative for existing situation. Strategic integration can be horizontal (internal integration) or vertical, which is divided into the reverse vertical (strengthening of control over suppliers) and forward vertical (integration with intermediary agents in the spheres of trade and distribution). The chosen integration type depends on paces of food industry growth and enterprise's position on the market. Enterprises with small capital can attempt to enter association groupings with similar by their profile companies. Strong market position helps an enterprise to become the center of network organization on the basis of vertical integration.

Integrated associations obtain much more advantages in strategic perspective. They cease to depend on fluctuations of raw materials markets. Raw materials can transform from the source of expenditures to the subsidiary source of income for an enterprise. Initial control of raw materials and the final one - of the final production - can be substituted by a single quality system. Strong connection with the spheres of distribution and sales will serve as the stimulator of development of communications and information systems and processes. Integrated association has the opportunity to implement a single financial, productive and marketing strategy. In such a way the transition to the policy of production differentiation becomes accomplished. Integrated capital, financial and marketing resources will open the possibility for the development of marketing activity and creation of marketing image.

Therefore, the model of strategic plan forming has to be simple and informative enough. Any enterprise development strategy is unique and is seen as the result of creative modeling. The process of strategy formulation should be completed only if alternative strategies are fully described and the final decision about the best one is made.

Unlike other industrial enterprises, the food industry enterprises, primarily those, which produce foodstuff, should conduct strategic planning



in terms of search for the ways of efficient application of available resources, competences and opportunities of their development. This will lead to maximum use of production capacity, decrease of expenditures, improvement of goods and services quality, stability of enterprise's competitive position and increase of loyal consumers' share.

The following are the main functions of strategic planning at food industry enterprises (Zhuravel 2016, p. 94):

1. Allocation of resources. This process includes the planning of resources allocation, in particular material, financial, labor and information ones. Efficient resources allocation at the enterprise leads to the search for options of their efficient consumption and it is the most important function of strategic planning.

2. Adaptation to market environment. It means enterprise's adjustment to changing market conditions. Market environment always contains favorable and adverse conditions (advantages and threats) for economic entities. This function aims to adjust enterprise's economic mechanism to these conditions, i.e. to use the advantages in competition and to prevent various threats.

3. Coordination and regulation. They are directed at coordination of endeavors of enterprise's structural divisions in order to achieve the objective defined by strategic plan. Enterprise's strategy includes integral system of interrelated goals and tasks. Decomposition of these goals and tasks stipulates their division into smaller components and their assignment to the relevant structural divisions and executors. This process does not take place spontaneously, but has the planned nature according to the strategic plan. Internal production operations are the objects of coordination and regulation.

4. Organization changes. They stipulate forming of an organization, which maintains coordinated work of management personnel, development of managers' mentality and consideration of past experience of strategic planning. In the end this function manifests itself in conducting of different organizational transformations at an enterprise: redistribution of management functions, liabilities and responsibilities of management apparatus employees; creation of stimulation system to encourage achievement of strategic plan's objective. It is important that these organizational changes are conducted not as the enterprise's reaction to existing situation, which is peculiar to situational management, but rather that they are the result of organizational strategic foresight.

Strategic planning as the management process has its content that combines its nature and procedures of development of strategic prognosis and draft strategic programs and plans. Strategic plan is the guideline for making decisions at lower levels. Overall goals of an enterprise defined by the strategic plan are specified into the current activity goals, which



are called tasks. Moreover, strategic plan is the limiter of lower levels plans, because it restricts the number of resources necessary for solution of operative planning tasks.

Therefore, strategic planning constitutes the special type of practical human activity - planning activity, which stipulates development of strategic decisions that address statement of such goals and strategies of conduct, the implementation of which provides their efficient functioning in the long-term perspective and swift adaptation to changing conditions of external environment.

### **Conclusion**

The problems of development and implementation of efficient approaches to making management decisions at an enterprise are solved to a great extent within the system of strategic planning. It is worth mentioning that any best strategy is worth nothing if it is not adopted by a team. Therefore, creation of a strategy means its creation by the endeavors of enterprise's employees, when not only top-managers are involved, but lower level staff as well. In this case in addition to vision and mission of an enterprise, the team ready for their accomplishment also emerges.

Global practice analysis testifies to the fact that several development directions can be used in order to improve the process of strategic planning at food industry enterprises.

The first direction stipulates combining of functional and target-oriented approaches. In this case practical suggestions of experts contribute to introduction of target and problem oriented approach to strategy forming at domestic enterprises.

The second direction can dwell on transition of food industry enterprises from the strategy of low expenditures to horizontal and vertical integration with gradual transformation into the network association. Indeed, integrated groupings increase their advantages in strategic perspective through combining of production, information and organization capacities.

Therefore, it can be affirmed that the strategy as the way of action becomes necessary in the situation when the available resources are not enough to directly achieve the major objective. Present situation stipulates the need to conduct strategic planning at domestic enterprises taking into account the foreign experience.

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