THEORETICAL AND METHODOLOGICAL APPROACH TO ENTERPRISE MANAGEMENT AND METHODS FOR ESTIMATING THE LEVEL OF ITS EFFICIENCY USING THE CRITERIA OF CONSISTENCY OF STRATEGIC GOALS AND OPERATIONAL RESULTS

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ABSTRACT

In the article formulating the foundations of strategic and operational enterprise management, the systemic contradictions in enterprise management are disclosed; the criteria for the consistency of strategic goals and operational results of the enterprise are formulated, a description of the current state of enterprises is given, the operational results of enterprises are assessed, the factors affecting the formation of the strategic goals of the enterprise are analyzed, a methodology for assessing the criteria for the operational management of a service enterprise is created.

Keywords: Enterprise; Management; Management; Strategy; Efficiency.

INTRODUCTION

From the standpoint of management as a science, an enterprise is a group of people whose activities are intentionally coordinated to achieve a set goal or goals. However, formal management rarely deals with enterprises with only one purpose. Many enterprises have a set of interrelated goals, and on this basis, they are classified as difficult enterprises.

All complex enterprises are not only groups of people purposeful in their activities and have a certain set of interrelated goals, but they are also classified for all complex enterprises by parameters like, resources; dependence on the external environment; horizontal division of labor; vertical division of labor; and the need for management.

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Governance is the process of planning, organizing, motivating, and controlling to formulate and achieve the goals of an organization. By now, four main ways to control are known (Rybnova, 2002; Bogoyavlenskaya, 2004; Safin, 2014; Liudmyla & Alina, 2020):

1. The path from the standpoint of distinguishing different schools in management (school of scientific management; administrative management; school of human relations and behavioral science; as well as the school of management science or quantitative methods).
2. The process path, considering management as a continuous series of interrelated management functions.
3. The systemic path, which emphasizes that, managers must view the organization as a collection of interdependent elements such as people, structure, problems, and technologies that are focused on achieving different goals in a changing external environment.
4. A situational path that focuses on the suitability of different management methods being determined by the current situation.

Scientific and theoretical aspects of strategic management were studied in the works of Vikhanskiy (2006); Mescon et al. (2007); Thompson et al. (2007); Parakhina et al. (2008); and Akmaeva (2010).

The purpose of the article is to develop a theoretical and methodological approach to enterprise management and methods for assessing the level of its effectiveness, ensuring consistency of strategic goals and operational results of activities.

MAIN TEXT

Considering the activity of an enterprise as a process of transforming resources into results, we allocate resources, costs, and results as subsystems. Managing the entire system of activities, it is necessary to manage its subsystems, since they are all interdependent and the incorrect functioning of one subsystem can affect the entire system. Consequently, negatively affect the degree of achievement of the goals of the enterprise. Therefore, in general terms, management is an activity aimed at achieving specific goals. The term "management" is broader than "management". The word "management" should be interpreted in Russian not as management in the broad sense of the word, but as leadership, administration, organization of business Ilyin, 2008; Richie & Martin, 2009; Kuznetsov, 2012; Iasechko, 2020; Kostiukevych et al., 2020; Liudmyla & Alina, 2020; Mishchuk et al., 2020.

The activities of the enterprise are related to the satisfaction of the interests of various subjects (stakeholders).

The goals of the stakeholders are presented using basic economic categories: resources, costs, results, and reflect the efficiency of the enterprise and the degree of achievement of goals.

The main problem of managers is to ensure the maximum possible satisfaction of the goals of stakeholders and their relationship.

The process of managing the activities of an enterprise includes strategic and operational levels.

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Often the influence of external factors leads to the fact that the results of activities do not fit the chosen strategy, two options for action arise; one is making amendments to the operational management cycle and the second, if a qualitative change in internal factors does not lead to the desired results, that is, external pressure plays a dominant role, a cycle of strategy regeneration occurs.

Strategic management is an activity to develop a mission, the most important goals of an organization and ways to achieve them, ensuring its development in an unstable external environment by changing both the organization itself and its external environment. Strategic management is an ongoing process of selecting, implementing, and controlling the goals and strategies of an organization.

The effectiveness of strategic management depends on three strategic macroinstructions of the organization: growth, protection, and development. Depending on the environment, there may be an advantage to a particular installation. Strategic macroinstallations are determined by the level of performance and development of the enterprise.

Strategic management includes the following functions: strategic analysis, strategic forecasting, strategic planning, strategic organization, strategic control, as well as motivation.

Each phase (function) of strategic management ends with a certain result:

- Strategic analysis of the environment: the competitiveness of the assessment of the existing position of the organization.
- Forecasting; forecasting its future state.
- Choice of strategies, goals, and missions: planned and adapted strategy, strategic plan, program.
- Implementation of strategies, control and adjustment are associated with the development of programs, mechanisms of functioning, motivation, financing, organizational and investment design, control, regulation.

There are three main stages in strategic management:

- Preparatory, which serves as the basis for information support for choice and research strategies
- The main stage; the stage of strategy research.
- The final stage; the stage of implementing the strategy, amendments, and feedback

At each stage, some functions are implemented:

- At the first stage, it is a strategic analysis and forecasting of the external and internal environment of the enterprise.
- At the second stage; strategic planning.
- At the third stage; strategic organization and motivation, control, and regulation.

The most important meaningful results of strategic management are:

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- Preparation of the enterprise strategy
- Determination of its strategic capabilities
- Building an organizational structure

Operational management of the enterprise includes several specific management functions that are implemented through some elements of the management cycle: forecasting, planning, organization, coordination, promotion of implementation, accounting, and analysis.

The systemic path denies the universality of any single strategy model. The goals of the strategy and the ways of making decisions depend on the socio-psychological characteristics of the strategists, the social and cultural conditions in which they operate. The ability to build effective corporate strategies has an important advantage of a systematic approach.

The process of strategic management in the majority includes the following stages: the corresponding strategy and the process of selecting goals; as well as the process of implementing the strategy (Safin, 2014; Iasechko, 2019a; Iasechko, 2019b; Iasechko, 2020a).

According to one of the well-known theorists and experts in the field of strategic management M. Porter, there are three main approaches to developing a strategy for the behavior of a company in the market:

- Leadership in minimizing production costs.
- In production- specialization.
- Fixation of a certain market segment and concentration of the firm's efforts on the selected market segment.

Following, from these approaches in management theory, the most well-known basic or reference strategies are presented extensively. They reflect four different approaches to the growth of a firm, and are also associated with a change in the state of one or more elements; product; market; industry; the position of the firm within the industry; and technology.

Each of these elements can be in one of two states: an existing state or a new one. For example, in relation to a product, it can be either a decision to produce the same product or proceed to the production of a new product.

The first group of benchmark strategies is concentrated growth strategies. Strategies are related to product and market changes, and do not affect three other elements. If these strategies are followed, the company tries to improve its product or start producing a new one without changing the industry. As for the market, the company is looking for opportunities to improve its position in the existing market or move to a new market (Rybnova, 2002; Bogoyavlenskaya, 2004; Liudmyla & Alina, 2020; Iasechko, 2020b; Iasechko, 2020c).

The specific types of strategies in the first group are as follows:

- The strategy of strengthening its position in the market, in which the company does everything to win the best positions with this product in this market. This type of strategy requires a lot of marketing effort to implement. There may also be attempts to implement the so-called horizontal integration, in which the firm tries to establish control over its competitors.

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- For an already produced product, a market development strategy, which consists in finding new markets.
- Product development strategy, which involves solving the problem of growth through the production of a new product, which will be sold on the market already mastered by the company.

The second group of reference strategies includes such business strategies that are associated with the development of the enterprise by adding new structures.

These strategies are called integrated growth strategies. Typically, a firm can resort to such strategies if it is in a strong business, cannot implement concentrated growth strategies, and at the same time, integrated growth does not conflict with its long-term goals. An enterprise can grow in an integrated manner, either through the acquisition of property or through expansion from within. In both cases, there is a change in the position of the enterprise within the industry.

There are two main types of integrated development strategies: a reverse vertical integration strategy is aimed at developing an enterprise through the acquisition or strengthening of control over suppliers. An enterprise can acquire companies that are already supplying or create subsidiaries that supply.

Implementing a reverse vertical integration strategy can lead to very beneficial results for an enterprise by reducing supplier demand and exposure to fluctuations in component prices.

And, in the case of reverse vertical integration, supply as a cost center for an enterprise can turn into a revenue center.

The strategy of forward-going vertical integration is expressed in the growth of the enterprise through the acquisition or strengthening of control over the structures located between the enterprise and the end consumer, namely distribution and sale systems. This type of integration is very beneficial when intermediary services are very expanding or when the company cannot find intermediaries with a quality level of work.

Diversified growth strategies are the third group of reference business development strategies. These strategies are implemented when the company can no longer be successful in each market with a certain product within a certain industry. The theory formulates important factors that determine the choice of a diversified growth strategy:

- Decreases in demand for a product or markets for an ongoing business are in a state of saturation since the product is at the stage of dying.
- The current business provides an income that exceeds the needs, which can be profitably invested in other areas of business.
- A new business can cause a synergistic effect, for example, through better use of equipment, components, raw materials, etc.
- Does not allow further expansion of business within the industry, antitrust regulation.
- Losses from taxes can be reduced.
- Access to world markets can be facilitated.

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- New qualified employees can be attracted or the potential of existing managers can be better used.

The centralized diversification strategy is based on the search and use of additional opportunities to produce new products, which are included in the existing business. That means that the existing production remains in the center of the business, and the new one arises based on the possibilities that are contained in the developed market, the technology used, or in other strengths of the enterprise's functioning, for example, there may be the possibilities of the used special distribution system.

The horizontal diversification strategy involves looking for growth opportunities in the existing market through new products that require new technology that is different from the one used. With this strategy, the firm should focus on the production of such technologically unrelated products that would use the existing capabilities of the enterprise, for example, in the field of supply. It follows that a new product should be focused on the consumer of the main product, which means that its qualities will be associated with an already produced product. An important condition for the implementation of this strategy is a preliminary assessment by the enterprise of its own competence in the production of a new product.

The strategy of conglomerative diversification is that the enterprise expands through the production of technologically unrelated new products that are sold in new markets. This is one of the most difficult development strategies to implement, since its successful implementation depends on many factors, on the competence of the existing personnel and especially managers, the seasonality of sales, the availability of the necessary amounts of money, etc.

The final type of reference business development strategies are reduction strategies. They are implemented when an enterprise needs to relate to the need to improve efficiency or regroup forces after a long period of growth, when there are recessions and drastic changes in the economy, such as, for example, structural restructuring, etc.

In these cases, enterprises resort to using strategies of targeted and planned production reduction. The implementation of these strategies is often painful for the enterprise. However, it must be clearly understood that these are the same enterprise development strategies as the presented growth strategies, and under certain circumstances they cannot be avoided. Moreover, sometimes these are the only possible strategies for business renewal, since in most of the cases renewal and growth are mutually exclusive business development processes.

There are four types of strategies for targeted business reduction: Liquidation strategy; Harvesting strategy and Reduction strategy.

The liquidation strategy, which is an extreme case of a reduction strategy and is carried out when the company cannot conduct further business.

The “harvesting” strategy involves the abandonment of a long-term view of the business in favor of maximizing income in the short term. This strategy is applied to a hopeless business that cannot be sold profitably but can generate income during the “harvest” period. Also, this strategy involves reducing the cost of purchases, labor, and maximum income from the sale of the existing product and the continuing decline in production. The “harvesting” strategy is designed to achieve maximum aggregate income for the period of reduction, with the gradual reduction of this business to zero.

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The reduction strategy is that the firm closes or sells one of its divisions or businesses to implement a long-term change in the boundaries of business. Often this strategy is implemented by diversified firms when one of the industries is poorly combined with others. This strategy is also implemented when it is necessary to obtain funds for the development of more promising businesses or start new ones that are more consistent with the long-term goals of the company.

There are other situations that require implementation of a reduction strategy. The cost reduction strategy is quite close to the reduction strategy since its main idea is to search for opportunities to reduce costs and take the necessary measures to reduce costs. However, this strategy has certain distinctive features, which are that it is more focused on eliminating rather small sources of costs, and that its implementation is temporary or short-term measures. Implementation of this strategy is associated with lower production costs, increased productivity, reduced recruitment and even layoffs, the termination of production of unprofitable goods and the closure of unprofitable capacities. It can be considered that the strategy of cost reduction turns into a strategy of reduction when subdivisions start to be sold or fixed assets in a sufficiently large volume.

The choice of the enterprise strategy is carried out by the management based on the analysis of key factors characterizing the state of the enterprise, considering the results of the analysis of the business portfolio, as well as the nature and essence of the strategies being implemented.

The main factors that should be considered when choosing a strategy, according to Parakhina et al. (2008) various assets are the state of the industry and the position of the enterprise in the industry; the goals of the enterprise; interests and attitudes of senior management; financial resources of the enterprise; qualification of employees; enterprise obligations; the degree of dependence on the external environment; time factor.

The evaluation of the chosen strategy is carried out in the form of an analysis of the correctness and sufficiency of considering the main factors that determine the possibilities of implementing the strategy. The main criterion for evaluating this strategy is the answer to the question: "For the enterprise to achieve its goals, will the chosen strategy lead?"

As a result, the dynamics of the external and internal environment of the enterprise affects important factors, where it becomes necessary to implement strategic control, the problem of which is to identify whether the implementation of the strategy will lead to the achievement of the set goals.

Now, the following adjustment procedure is supported: 1) revision of control parameters. It is possible that the selected parameters do not fully reflect the actual situation. If not, then 2) the adjustment should be aimed at improving the systems of motivation, raising the qualifications of workers, improving the organization of work and intra-organizational relations, etc. If it does not work, then 3) the process of adjusting the enterprise strategy follows. If it is ineffective, then 4) revision of goals follows.

The process of strategic management becomes more complex as the complexity and diversification of the enterprise strategy. Typically, large service enterprises implement complex strategies.

The structuring of an integrated enterprise strategy depends on the complexity of the enterprise itself, its size, management experience, as well as areas of activity and management functions. The most detailed structure of a complex strategy is presented in the tasks of Kleiner

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G.B. and includes: commodity market strategy; resource-market strategy; technological strategy; integration strategy; financial and investment strategy; HR strategy; cultural strategy; institutional strategy; cognitive strategy; simulation strategy; the eventual strategy of the enterprise; management strategy; and restructuring strategy.

In the practice of domestic enterprises in the service sector, strategies also include several of the most significant components. As a rule, this is a financial strategy, an innovation strategy, production, and technology strategy. The options for structuring enterprise strategy are numerous. However, they are based on the principles and provisions of one of the four types of reference strategies of the enterprise.

The study of the theoretical foundations of strategic enterprise management in conjunction with the study of the operational level of management made it possible to conclude that it is necessary to use the principles of the concept of controlling to improve enterprise management.

CONCLUSION

Thus, we will draw qualitative conclusions:

To date, four main approaches to management are known: 1) an approach from the standpoint of distinguishing various schools in management; 2) process approach; 3) a systematic approach; 4) a situational approach. In our opinion, in relation to medium and large enterprises in the service sector, a systematic approach is the most appropriate.

The system recognizes both the enterprise itself and the process of its management. The enterprise and the management process are open systems, that is, systems characterized by interaction with the external environment.

Speaking about enterprise management, we mean enterprise management. The activities of an enterprise are viewed as the process of converting stocks into results. We single out stocks, costs, reserves, and results as management subsystems.

The activities of the enterprise are related to the satisfaction of the interests of various subjects (stakeholders). The interests in the analysis are presented using basic economic categories: reserves, costs, results, and reflect the efficiency of the enterprise and the degree of achievement of goals. The main problem of managers is to ensure the maximum possible satisfaction of the goals of stakeholders and their consistency.

The process of managing the activities of the enterprise includes strategic, operational, and current levels.

For the implementation and control of goals and strategies, the enterprise considered strategic management as a continuous selection process.

The effectiveness of strategic management depends on three strategic macroinstructions of the organization: growth, protection, and development. Strategic macro installations are predetermined by the level of efficiency of the functioning and development of the enterprise. In strategic management, we distinguish three stages: 1) selection, justification of the strategy; 2) strategy development; 3) implementation of the strategy, adjustments, and feedback.

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