

THEORETICAL ASPECTS OF THE FORMATION OF THE AGRICULTURAL ENTERPRISES' COMPETITIVE STRATEGIES

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Abstract

Theoretical basics of the formation of the agricultural enterprises' competitive strategies for the purposes of ensuring their competitiveness and performance efficiency are elucidated in the article. The sequence of the formation of competitive strategy is analyzed. The recommendations for application of certain competitive strategies at agricultural enterprises are provided.

Key words: *strategy, goal, competitive strategy, agricultural enterprises, competitive relations, competitive advantages, operation of enterprises.*

JEL Classification: *O13; Q12.*

I. PROBLEM STATEMENT

Under nowadays conditions the competitiveness of agricultural enterprises is becoming especially significant. The competitiveness of agricultural enterprises should be determined as the ability of an enterprise to effectively use technologies, resources, the methods of management, staff, and marketing strategy which result in the quality of products and the ability to compete with the analogical products both in the domestic and international markets. That is, the key factors of success are the effective usage of the raw materials potential, the skills of conducting the competitive activity which influence the formation of the long-term competitive advantage of an agricultural enterprise that is itself the basis of competitive strategy.

It implies that the effective formation of competitive strategies at agricultural enterprises is the basis and cornerstone of the establishment of the enterprises' competitiveness management system, which will provide high economic effectiveness at different distribution areas.

II. ANALYSIS OF THE RECENT STUDIES AND PUBLICATIONS.

The process of the formation and fulfillment of the enterprise competitive strategy has been investigated by many national and foreign scientists, in particular H. Azoiev, I. Ansoff, V. Andriichuk, P. Borshechskyi, Ia. Bazyliuk, P. Haidutskyi, O. Hudzynskyi, V. Heiets, O. Datsii, M. Dem'ianenko, L. Dovhan, V. Zanolchuk, Y. Ivanov, H. Kindratska, M. Malik, B. Paskhaver, M. Porter, P. Sabluk, A. Strickland, A. Thompson, H. Cherevko, E. Chamberlain, A. Sheremeta, O. Shpychak, R. Fatkhudinov, A. Yudanov, Y. Yurchyshyn, and other. The scientists have come up with different definitions of the term "competitive strategy", suggested basic strategies, described peculiarities and principles of their formation. However, there is no unified competitive strategy for all the enterprises, especially agricultural ones, which are distinct in their characteristic aspects.

Goal statement. The goal of the research is to examine the existing theoretical aspects of the formation of the enterprise competitive strategies and to adapt them to the agricultural enterprises in order to provide their competitiveness and the effectiveness of performance.

III. ANALYSIS FINDINGS

Competitive strategy concerns the enterprise development in the meaning of competitive relations. Its substantiation focuses on the fact that enterprise carries out its activity in a competitive environment and to achieve the stated goals it should take into account the realias of a competitive struggle. This clarifies the nature of the problem set for the enterprise management and the ways to solve it.

There are various definitions of the term “competitive strategy” in the economical literature. Thus, for example, H. Azoiev determines competitive strategy as an organization plan of actions, aiming at the achievement of success in competitive struggle in a certain market (Azoiev H. L., 2001, pp. 56).

According to the definition of I. Ansoff competitive strategy is a strategy that focuses on the actions and approaches, which are connected with the management and are aimed at providing the successful activity in the one specific field of business (Ansoff I., 1989, pp.260).

Whereas, Y. Ivanov suggested the following definition of the term “competitive strategy”: “... it is a thoroughly developed program of actions, which are to be fulfilled by an organization in order to get the advantageous competitive position in the market and to adapt an enterprise to the changes of internal and external environments” (Ivanov Y. B., 2006, pp.70).

To our mind, competitive strategy is a logical completion of the procedure of investigation. Accepting and implementing it are the basis of the scheme of providing the business entity competitiveness.

While setting certain strategic goals agricultural enterprises have to take into account the presence of competitive relations and to develop a certain competitive strategy, computed for a long period. Some scientists suppose that this period should last at least two years (Fatkhudinov R. A., 1998, pp. 172).

Accepting any competitive strategy involves certain stages. (pic.1). First of all, the goals that an enterprise aims to achieve are clarified. For this purpose, some requirements should be followed. In particular, the set goals should be exact and clear, real, have measurements, meet strategies and interests of implementers, the time frames of their achievement should be specified (Pavlova V. A., 2006, pp. 135).

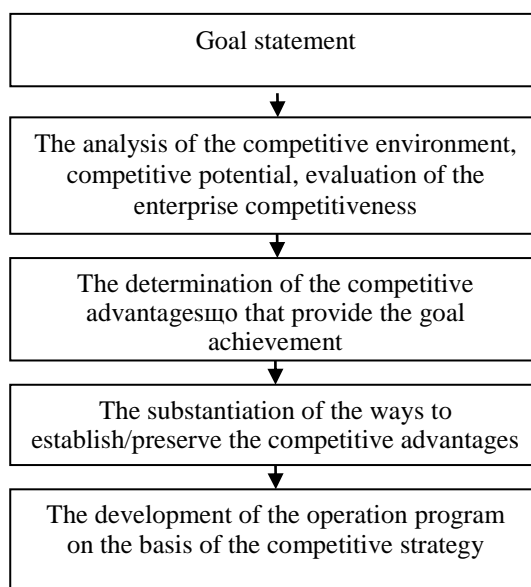


Fig. 1. The sequence of the Formation of the Enterprise Competitive Strategies

After this, competitive advantages the presence of which will provide the achievement of the set goals for an enterprise are determined. The means of establishing new or preserving the existing competitive advantages are substantiated. They themselves are the essence of a competitive strategy.

On the basis of a competitive strategy the enterprise operation program is developed. The ideas framed in the strategy are specified in the list of steps, which should be made; the fund sources, the terms of implementation and particular implementers are determined etc. Only the presence of such a program, which really takes into account the capabilities of an enterprise, indicates the viability of a competitive strategy. If in the process of its development the doubts about the achievement of the planned arise, the strategy is to be reconsidered. It is possible that during the development of the program specialists will drive to a conclusion about changing the goals set for an enterprise.

Taking into account the most various approaches to the idea which practically can be put into the basis of an enterprise competitive strategy, these strategies are suggested to be classified. The references to the three basic competitive strategies – of the lowest cost, differentiation and concentration – highlighted by M. Porter are among the most popular approaches (Porter M. E., 1997, pp. 51). The very strategies of M. Porter can be adapted to the needs of agricultural enterprises and be applied in their activity.

The most promising in the rural sector is the strategy of cost minimizing – the analog of the lowest cost strategy. As it has been pointed out, the vast majority of the total of agricultural enterprise output is sold in the markets where prices are set by buyer. Cutting the production costs of such products results in getting additional income, the strengthening of enterprise financial and economic performance. Agricultural manufacturers sell

certain part of the products in the competitive markets for the price they set themselves. Cutting the production costs of such products allows manufacturers to lower their price, making it more attractive for customers.

Those agricultural enterprises which due to some objective reasons can not get a measurable effect from cost minimizing should pay attention to other basic strategies – differentiation and concentration. Of all the others, they should be interesting for the small agricultural enterprises, which don't have enough resources to improve technologies and strengthen the material and technical basis.

Another point of view on the defining competitive strategies was suggested by A.Yudanov. He considers such types of competitive strategies as violent, patient, and explerent (Yudanov A. Y., 2001, pp. 55). Strategies depend on the capabilities of enterprises and marketing needs.

Violent strategy is applied at large enterprises, which are established with the capital generated in other sectors of economy. In agriculture the number of violents increases gradually, as long as investors invest funds into material and technical basis and into the intensification of agricultural manufacturing.

Patient strategy can be applied at the agricultural enterprises of different scales, which strive to specialize in the manufacture of specific products of a high quality with the limited demand for them. The agricultural enterprises that produce organic products are the vivid examples.

Commutant strategy is typical for many farm enterprises which while having no potent material and technical basis, special knowledge, technologies, show readiness to try themselves in manufacturing of different kinds of agricultural products, and often goes beyond the agricultural market.

Explerent strategy is connected with the searching of the revolutionary solutions in business, that is why it can not be widely applied, but in the case of agriculture experiments relevant to it may occur in small quantities, and therefore they make it possible to minimize the loss in case of failure.

Among the competitive strategies we highlight a separate group – the strategies of diversification. As it is known, diversification is the process of multi-faceted development of a business entity by the way of the redeployment of resources, penetration into the other production branches and markets of new goods and services in order to decrease the risks and increase income (Korinko M. D., 2007, pp 13). The essence of diversification as a competitive strategy lies in the establishment of competitive advantages connected with the more effective usage of enterprise production potential by the way of its more intense, full operation or transition to the market segments with more cleared conditions of business function. The elements of diversification are the constituents of the development strategy of many enterprises, including agricultural ones.

Agricultural enterprises' competitive strategies concerns different levels of planning and management: corporative, functional, and marketable. Corporative strategy concerns the types of activities an enterprise chooses, where it reckons to get competitive advantages, determines the general drift of its competitive development. Marketable strategies determine the ways of increasing the competitiveness of certain kinds of products.

To our mind, particular attention should be paid to functional strategies. They are to provide the effective operation of functional subsystems of an enterprise, within which certain units and services carry out their activity. The effective activity of these subsystems is the feature of competitiveness and the source of the enterprise competitive advantages. Typical functional strategies, which can be applied at agricultural enterprises, include manufacturing, marketing, financial and human resources strategies.

The role of functional strategies in the process of providing the competitiveness of an enterprise has been investigated by certain national scientists, in particular V. Pavlova, who considers that the strategy of the enterprise development should consist of the set of auxiliary strategies developed for every of its functional lines and suggests to rank the priority of their financing (Pavlova V. A., 2006, pp. 136). Whereas O. Kovtun considers the decomposition of the enterprise strategy, the differentiation of specific business objectives regarding the maintenance and development of its competitiveness and strategic functions in order to ensure their achievement into the constituents of these strategies and functions. He points out that decomposition is carried out till the strategic goals of the lowest (primary) levels of an enterprise are determined (Kovtun O. I., 2009, pp. 190-191).

Indeed, the fulfillment of corporative strategy involves the substantiation of changes in different spheres of enterprise operation; regarding this functional strategies are the constituents of corporative strategy. While corporative strategies determine the ways of the formation of the competitive advantages of a higher level, functional strategies determine those of a lower level. The set of functional strategies represents the sources of the establishment of competitive advantages; it is desirable to apply them in a certain totality.

The development and implementation of functional strategies (first of all manufacturing, marketing) are connected with the innovative development of an enterprise. Innovative processes are determined as the set of whole new, progressive changes, which industrial and economic system experiences (Antoniuk L. L., 2003, pp. 233). They result in the engineering, technology, production management, administration novelties which eventually ensure the increase of the effectiveness of this system. Not every functional strategy involves applying changes which have the character of fundamental innovations. Though, any innovation will ensure the increasing of the effectiveness of the existing system only if it is the constituent of the strategy of its development.

The examined competitive strategies were first of all aimed at the enterprise development, the increase of its income. However, in a real sense it is necessary to take decisions which can be determined as the strategies of decline. They involve deliberate, systematic curtailing of the range of activity in order to preserve an enterprise as a market participant. We emphasize that we mean exactly a certain program of actions, not the statement of the reduction in output and selling products which has nothing to do with the strategy.

The strategy of decline can concern certain types of activities and an enterprise in whole. The curtailing of certain kinds of products, closure of certain units of an enterprise is mainly its response to the change of market conjuncture. Such selective reduction may be a part of diversification strategy, providing for the usage of released resources in other spheres of activity.

The last alternate of the strategy of decline is the strategy of business entity liquidation, connected with its incapability to continue business. The optimum alternative would be to preserve resources (land, labor, material and technical resources), used by an agricultural enterprise, which phases down in the system of agricultural manufacturing. The strategy of decline will play role of the competitive strategy in case this failure enterprise is swallowed by another business entity that will manage the effective exploitation of these resources.

Conclusions. Thus, the competitive strategy effectively formed according to the goals, potential resource capabilities, advantages of an enterprise, which includes long-term programs of actions regarding all possible lines of business and is aimed at effective implementation, will ensure the achievement of market success and getting the edge over the competitors for an enterprise. The above examined strategies are only typical recommendations, which allow to outline possible alternatives. Personal responsibility for the selection of one of them is on the top management of an enterprise. Regarding the variety of options, the choice of the enterprise fundamental (corporate) strategy, its specification within functional strategies is quite complex procedure for every economic entity. This procedure is the logical continuation of the competitiveness investigation process, as long as these very results of the problem study are to drive us to a conclusion which principles of activity, scenarios of the further development will be the best under the existing conditions.

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