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ANALYSIS OF FEATURES AND TYPES OF ECONOMIC STRATEGY, FACTORS OF BUSINESS DIVERSIFICATION

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ABSTRACT

Purpose – the article considers the theory of economic strategy, types and types of strategy, the possibility of diversifying a business under the influence of external and internal factors. The strategy is presented as a system of interrelated rules and techniques. With their help, achieved competitive advantage in the market. Therefore, the objectives of an economic strategy are, as a rule, increasing competitive advantages, making a profit and expanding (diversifying) a business.

Methodology – the influence of external and internal factors on the results of the strategy implementation is considered in the course of the analysis, the main methods of which are presented in this article.

Originality/value – in accordance with the goals set objectives of economic strategy. Depending on the goals and objectives, distinguish the main types of strategies. The article presents the most essential features of the classification of strategies and stages of its implementation. The author has developed the basic principles of evaluation and methods for monitoring the implementation of the strategy. And determined the dominant strategy of enterprise development in the context of globalization. Using various methods of analysis and diversification tools is aimed at finding and finding the optimal strategy for further business development. The strategy is presented as a system of interrelated rules and techniques. With their help, achieved competitive advantage in the market. Therefore, the objectives of an economic strategy are, as a rule, increasing competitive advantages, making a profit and expanding (diversifying) a business. In accordance with the goals set objectives of economic strategy. Depending on the goals and objectives, distinguish the main types of strategies. The article presents the most essential features of the classification of strategies and stages of its implementation. The author has developed the basic principles of evaluation and methods for monitoring the implementation of the strategy. And determined the dominant strategy of enterprise development in the context of globalization.

Findings – using various methods of analysis and diversification tools is aimed at finding and finding the optimal strategy for further business development. The presented strategy levels, strategy development stages show the importance of developing a strategy for an enterprise.

Keywords – economics, strategy, diversification, analysis, factors.

INTRODUCTION

An economic strategy is a system of interrelated rules and methods by which a company's competitive advantage in the market is achieved [1]. As a rule, the strategy is developed for a long period and includes forecast planning with the definition of mission, goals and objectives. Economic strategy has features, including [1]:

1. The development of an economic strategy does not involve taking immediate action and establishes a general direction for moving towards a goal in accordance with the company's mission.
2. The adopted provisions of the strategy are variants of the development of events; therefore, the tasks and the ways of their solution may change when the external or internal environment changes.
3. It is intended to strengthen the role of feedback for revising the goals, depending on the factors determining the company's position in the competitive environment.

4. In developing and revising strategies, not only quantitative (absolute, quantified) indicators that can be measured, but also qualitative indicators of strategic utility, which can be presented in points, are used.

The objectives of an economic strategy are, as a rule, increasing competitive advantages, making a profit and expanding (diversifying) a business. In accordance with the goals set, the tasks of the economic strategy are determined, the main of which can be:

- Research of competitors and from financial and economic indicators.
- Prediction of maximum profit in accordance with available resources, level of liquidity and risks.

Depending on the goals and objectives, there are four main types of strategies that have been identified by authors such as Ansoff H. Igor and others [2]:

1. The strategy of integrated growth, which involves strengthening positions in the market, the development of products (goods, services).
2. The strategy of integrated growth, due to the development of reverse and ongoing vertical integration.
3. Diversification strategy through the development of centered and horizontal diversification.
4. Reduction strategy by eliminating, reducing production or reducing costs.

		Level III	Level IV
Level I	Level II	functional	linear
corporate	of business		

Picture 1 – Levels of strategy in the organization

Note: compiled by the author

The levels of the organization's strategy presented in Figure 1 show the position of the management or organization at which strategic decisions or business are made in accordance with the adopted strategy [3].

At the first corporate level are companies operating in various areas of business. At this level, decisions are made on the sale, closure or reprofiling of individual areas of business and diversification plans are being developed.

At the second level, the work of the top management of non-diversified companies or independent developers of business strategy is shown. Here a strategy based on the corporate strategic plan is prepared and implemented, the main goal of which is to increase the competitiveness or competitive potential of the company.

At the third functional level, the activities of the heads of functional services are considered, including marketing, production, finance, personnel, and others.

At the fourth linear level, the role of heads of departments, representative offices or branches working in other regions is presented.

When classifying strategies, the most significant features are the following:

- the basic concept of improving competitiveness;
- relative position of the company in the industry;
- stage of the life cycle of the company, its products or services;
- behavioral position of the company in a competitive environment;
- degree of management decision making.

The classification of strategies is proposed by the authors Zabelin P.V. and N.K. Moiseyev in the following form [4]:

- global strategy, showing belonging to the five strategies to achieve competitive advantages;
- portfolio strategy, representing belonging to portfolio management strategies by business area;
- functional strategy applied depending on external and internal factors.

The implementation of the strategy is carried out in several stages, the main of which are the following [5]:

1. The preliminary stage, during which the study of the external and internal environment of the company, the main goal and main objectives.

2. The implementation stage at which strategic decisions are made on the efficient use and allocation of resources.

3. A correction stage at which changes in the organizational structure and other positions for the implementation of the strategy are possible.

4. The verification stage in which a strategy can be changed due to newly arisen circumstances.

5. The evaluation stage, during which the analysis and evaluation of the implementation of the strategy is carried out with the subsequent adjustment of the previous steps.

Evaluation and monitoring of the implementation of the strategy, in the opinion carried out in accordance with the following principles [6]:

1. Strategic control should focus on cost recovery, not on controlling budget execution.

2. Estimation of cost recovery should be made throughout the product life cycle. If the payback is below the control level, the possibility of correction or termination of production should be reconsidered

The dominant strategy of enterprise development in the context of globalization is becoming a diversification strategy [7].

This is due to the fact that in modern conditions of economic development, the effectiveness of diversification programs manifests itself most clearly. As a basic criterion of the need for diversification, a synergistic effect can be considered, according to which synergistic and conglomerate diversification is distinguished.

You can also highlight related and unrelated, direct and indirect diversification. Direct diversification develops with the presence of additional conditions for the expansion of production, while indirect diversification develops under certain restrictions,

Associated diversification involves the development and expansion of products and markets related to the core business of the enterprise. Unrelated diversification involves the development of products or markets that are not related to the main business of the enterprise.

Depending on the territorial scope distinguish between narrow and wide diversification. Narrow diversification takes place within a country or region. Broad diversification is characterized by the expansion of activities in the global space.

There are also horizontal, vertical and concentric diversification.

Horizontal diversification involves the production of various goods that are homogeneous in terms of production-technological and supply-marketing conditions within the framework of the existing potential of the enterprise.

Vertical diversification is a differentiation of the product range and product markets.

Concentric diversification is based on the modernization of production for the release of new products or the creation of new activities.

To select a specific diversification strategy, research is conducted based on an analysis of various factors, including:

- analysis of global factors;
- analysis of regional factors;
- analysis of country factors;
- analysis of local factors and so on.

For analysis, various types and methods of analysis are used depending on the objectives and type of diversification strategy, including PEST analysis and SNW analysis [5].

PEST analysis consists of considering the political (Political), economic (Economical), social (Social) and technological (Technological) environmental factors affecting the business of an enterprise. This analysis is supposed to be considered in the context of «factor – enterprise» in a matrix form. The factors of the macroenvironment and the strength of their influence is estimated in points, rankings and other non-quantitative units of measurement.

SNW analysis is a more in-depth form of SWOT analysis and involves consideration of the strengths (Strength), neutral (Neutral) and weak (Weakness) of the parties to the enterprise.

The main types of analysis are based on the calculation of strategic indicators under the influence of certain factors, including the analysis of V (F) and U (F).

Analysis of V (F) is a complex system (V), that is, everything that is inside the system and is changed by the influence of factor (F). Analysis of V (F) provides for systematic and multi-factorial character, as well as strategic analysis with a breakdown into subsystems and synthesis during the development of a strategy.

The second indicator U (F) is calculated by the formula (1):

$$U(F) = U1 + U2 \quad (1)$$

Where,

U (F) is an indicator of changes in the competitive environment of a business under the influence of a factor (F);

U1 is a strategic analysis subsystem characterizing the product sales environment;

U2 is a strategic analysis subsystem characterizing financial positions.

The U (F) analysis can be calculated for U1 (near medium) and U2 (far medium), which implies both the time range and the environment. When conducting this type of analysis, one should take into account the logical sequence of operations with division into subsystems and business processes. An important factor in the diversification strategy is the analysis of work with counterparties, personnel and the efficiency of the use of available resources. All models of strategic analysis, discussed above, are based on economic non-formalized analysis. The model in which the formalized approach in strategic analysis (selection) is implemented is called PIMS (the Profit Impact of Market Strategy).

This type of analysis represents the impact of marketing strategy on the profits of an enterprise. Within the regression model, not only the factors that are most closely associated with profitability are defined and show the degree of their influence as variables on the objective function [8]. With the development of information technology and e-business, the role and functions of a business diversification strategy are changing. So, Kombe M. considered the features of strategic management in e-business [9]:

- infrastructure changes of the information and communication system;
- involvement of programmers and system engineers in the construction of business processes;
- changes in product differentiation, due to the emergence of new technologies and products;
- increasing importance of customers, their requests and needs, including in the rational price-quality ratio;
- expansion of the market of offers at decrease in demand in the market;
- increased competition, requiring constant innovation.

CONCLUSIONS

A diversification strategy involves the expansion of differentiated components of a business, which may include products (goods, services), markets, customers, manufacturing, technology, business lines, and many others. In general, diversification is an important principle of a modern market economy.

Using various methods of analysis and diversification tools is aimed at finding and finding the optimal strategy for further business development.

In this way, consideration of the issues of strategy, diversification and analysis of the influence of factors on the performance of enterprises characterizes the need and importance of a diversification strategy and shows the possibilities of expanding types of business, production of products and sales markets.

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РЕЗЮМЕ

В статье рассмотрена теория экономической стратегии, виды и типы стратегии, возможности диверсификации бизнеса под влиянием факторов внешней и внутренней среды. Стратегия представлена как система взаимосвязанных правил и приемов. При их помощи достигается конкурентное преимущество предприятия на рынке. Поэтому целями экономической стратегии являются, как правило, увеличение конкурентных преимуществ, получение прибыли и расширение (диверсификации) бизнеса. Влияние факторов внешней и внутренней среды на результаты реализации стратегии рассматривается в ходе анализа, основные методы которых представлены в данной статье.

ТҮЙІН

Мақала экономикалық стратегия теориясын, стратегияның түрлері мен түрлерін, сыртқы және ішкі факторлардың әсерінен бизнесті әртараптандыру мүмкіндігін қарастырады. Стратегия ұсынылған жүйе ретінде өзара байланысқан ережелері мен тәсілдерін. Олардың көмек қол жеткізіледі бәсекелестік артықшылығы кәсіпорын нарығында. Сондықтан, мақсаты экономикалық стратегиясы болып табылады, әдетте, бәсекелестік артықшылығын арттыру, пайда алу және кеңейту (әртараптандыру). Methodology Стратегияны іске асыру нәтижелері бойынша сыртқы және ішкі факторлардың әсер етуі осы мақалада негізгі әдістері келтірілген талдау барысында қарастырылады.