

UDC 330.332

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«Kyiv Polytechnic Institute»***STRATEGIC SUSTAINABILITY OF AGRO-INDUSTRIAL CORPORATIONS
UNDER THE CONDITIONS OF INCREASED COMPETITION****СТРАТЕГІЧНА СТІЙКІСТЬ АГРОПРОМИСЛОВОГО ПІДПРИЄМСТВА
В УМОВАХ ЗАГОСТРЕННЯ КОНКУРЕНЦІЇ****ANNOTATION**

The article deals with the essence of strategic viability in terms of increased competition, given the definition of «sustainability of corporations» conducted diagnostics of agriculture, considered the types and levels of competition, defined the concept of corporate competitiveness, developed a matrix formation of competitive cards market. This method was given to evaluate the competition.

Keywords: strategic sustainability, sustainable of corporations, increased competition, agro-industrial corporation, levels of competition.

АНОТАЦІЯ

В статті розглянуто сутність стратегічної стійкості підприємства в умовах загострення конкуренції, дано визначення поняття «стійкість підприємства», проведена діагностика стану агропромислового комплексу, розглянуто види та рівні конкуренції, визначено поняття конкурентоспроможності підприємства, розроблено матрицю формування конкурентної карти ринку. Дана методика до оцінки конкуренції.

Ключові слова: стратегічна стійкість, забезпечення стійкості, загострення конкуренції, агропромислове підприємство, рівні конкуренції.

АННОТАЦИЯ

В статье рассмотрены суть управления стратегической устойчивости предприятия в условиях обострения конкуренции, дано определение понятия «управление устойчивостью предприятия», проведена диагностика состояния агропромышленного комплекса, рассмотрены виды и уровни конкуренции, определено понятие конкурентоспособности предприятия, разработано матрицу формирования конкурентной карты рынка. Дана методика к оценке конкуренции.

Ключевые слова: стратегическая устойчивость, обеспечение устойчивости предприятия, обострение конкуренции, агропромышленное предприятие, уровни конкуренции.

Problem setting. Increasing competition in agro-cultural economical sector of Ukraine is a strategic problem. Without providing of competitiveness and sustainability competitive advantages of industrial corporations in domestic and international market it will be impossible to achieve sustainable development of agro-industrial corporations. Competition can unleash the potential and capabilities of their corporation and perform an important function for sustainable development of agro-industrial corporation. In terms of increased competition strategic sustainability of agro-industrial corporations are not defined as a maximum output of its products and the corpo-

ration's ability to predict possible changes in the environment, also the willingness to quickly and efficiently respond to them. To manage strategic sustainability it is necessary to solve some problems, including the original meaning is its score. The main problem for the evaluation of strategic sustainability of agricultural corporations are the conditions of increased competition and a lack of a precision and quality tool making. In strategic sustainability important role is played by the potential corporation, resource support and the ability to adapt to constant destabilizing influences. Through successful achievement of sustainability corporations expand the horizons of anticipation created by the timely reaction on changes in the environment in all its areas.

Recent research and publications analysis. Issues of strategic sustainability of economic systems, strategic development and growth reflected in the works of local scientists L. Abalkina, I. Aleshin, A. Borodina, May, A. Spitsyna, S. Gubanov, K. Hubiyev, A. Neshitoho, A. Golub, problems and management strategies are considered in the works V. Yefremov, M. Kondratiev, P. Pokrytan, B. Shkarduna, R. Fatkhutdinova, A. Vihansky, R. Nuryeyeva, F. Ufimtseva, R. Popov etc. Among foreign scientists, researching the strategic growth and strategic management, should be called M. Porter, J. Schumpeter, D. Aaker, I. Ansoff, J.P. Blandinera, D. Norton, M. Meskon, J. Keynes.

The research objective. The goal is a generalization of theoretical issues and practical justification provisions concerning the strategic sustainability management in terms of increased competition of agricultural corporations.

Results. An important focus of creating competitive advantages is the strategic sustainability of the company.

In the most general form the term «sustainability», which is widely used in various fields of science, describes as the system's ability to maintain the current status of the presence of external influ-

ences, and to return to equilibrium, in the event of adverse deviations beyond its acceptable [1].

But the concept of «strategic sustainability» is deeper and more detail reveals not only the company’s ability to maintain current economic sustainability in the presence of destabilizing factors, but also to achieve strategic development goals. Because of such importance and significance of the study of strategic sustainability of the company gaining interest and relevance.

Strategic sustainability it’s a characteristic of the company, which «is not given to him» at the base, and «it is acquired» during the operation and development. The level of strategic sustainability at various stages of the life cycle of the company – is different. During the period of the company is the acquisition occurs, the loss of strategic sustainability agro-industrial enterprises.

An important feature of strategic sustainability is that it has many components [5], which, in turn, require a careful approach to their analysis and software (Table 1).

In fact, agriculture is one of the most important sectors of Ukraine. It holds about 30% of fixed assets, running almost a third of workers employed in the economy, one third of the national income formed 70% of retail turnover [4]. Agricultural sector for the Ukrainian state has always been one of the priority areas as foreign trade and domestic economic development, because the question of organizing production and food security support for a separate state current at all times. Agrarian and industrial complex – not only the force of economy of Ukraine, which consistently provides 15-20% of GDP per

year, despite the crisis of recent years, and generates foreign exchange earnings from the export of agricultural products that in a significant debt burden on the national economy is a source of cover current obligations’ commitments, but also provides the population of Ukraine with quality products of own production.

An important aspect in strategic sustainability of corporations is to provide a long-term competitiveness, which requires certain steps, the implementation of which allow the corporation to perform its own functions and achieve their own goals.

Modern conditions of corporations force to maintain constant control over their activities and constantly make adjustments. The current situation should be taken into account when such systematic adjustments are applied to the present conditions of instability. Furthermore, it should be done in such a way that stability is maintained the continuous development and growth of business activity promoted.

Strategic sustainability can be based on a functional approach. According to the mentioned

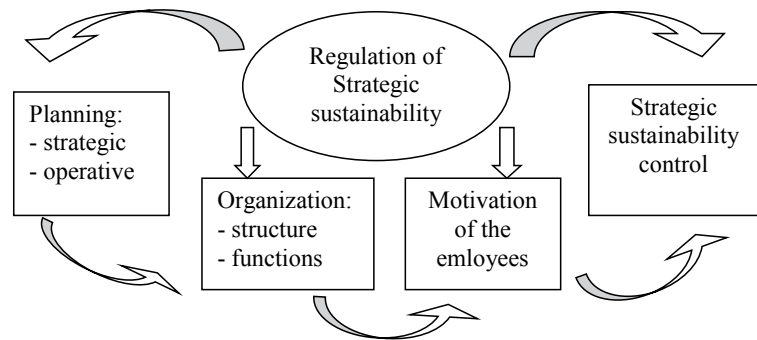


Fig. 1. The general scheme of strategic sustainability of corporations

Table 1

Components of the strategic sustainability agro-industrial enterprises

Component	Essence	Characteristic
Financial sustainability	The ability of companies to work with a high level of profitability, maintain an optimal (or planned) level of liquidity and solvency, have stable sources for progressive development.	- Stability of the enterprise; - Reduction of debts; - Reduction of financial risks; - The effective use of financial resources;
Social sustainability	The ability of companies to maintain a high level of staff turnover and high motivation potential staff.	- Improving working conditions; - The increase in material support workers;
Production sustainability	The ability of companies to maintain production capacity at a level that allows for the break-even production and uninterrupted process of making products with a low percentage of production losses.	- Increase efficiency of all resources; - Improved product quality; - Keeping the balance of demand for products and volume of production;
Technological sustainability	The company’s ability to maintain technological adequacy, create and save a technological competitive advantage over industry competitors	- The increase in the use of new techniques and technologies; - Increase the efficiency of fixed assets;
Ecological sustainability	Relationship economy enterprise, its ecological safety and minimizing the harmful effects of economic activity on the environment	- Rational use of natural resources; - Using resource-saving technologies;
Marketing sustainability	The ability to maintain a stable competitive position in the market, to achieve planned sales; adapt to changes in market conditions and meet current and future needs of consumers	- Increasing the competitiveness of products; - Access to new markets; - The ability to do business in the markets in the long term.

Based on: [5]

approach, strategic sustainability of corporations is a process of cycle consisting of successive stages, each of which implements the general management functions, further, forming the appropriate methods of strategic sustainability and finally, management methods are transforming into specific administrative solutions (Fig. 1).

The advantages of this approach should be considered the possibility of creating organizational and strategic conditions to ensure the efficiency of corporations, through the continuous implementation of the general functions and unifying functions – management [2].

Very important when using a functional approach is a focus on monitoring functions, which in this case can be viewed as a separate process (Fig. 2).

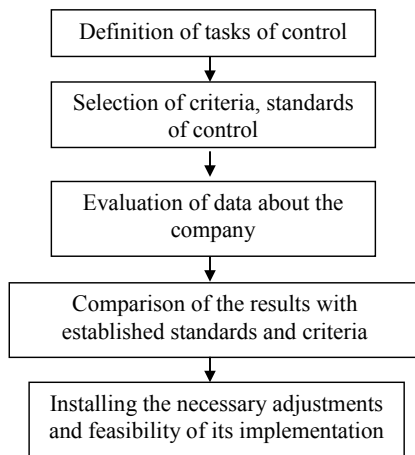


Fig. 2. The monitoring process of strategic sustainability of corporations

Based on all above, we give our to designation strategic sustainability of corporations.

Strategic sustainability of corporations is the ability of a corporation to maintain performance within acceptable limits over a period of certain time, even when external conditions do not allow the current activities to be cost-effective. Thus, the meaning of sustainability of a corporation is understood not as stability and absence of profound changes, but the efficiency and reliability of the corporation in an increasingly competitive environment.

First the concept of competition was coined by Adam Smith in «Wealth of Nations» [5]. In his vision of competition it is nothing else but rivalry which leads to price increases while the supply is diminished and the decrease of prices when supply excesses. Smith discloses the principle of the «Invisible hand», according to which part of the competitive market price, profit, supply, demand and lending rate are directed by an invisible hand and in the end meet the interest of corporate powers. The term «competition» comes from the Latin word *competere* – compete, vie, to have a right to.

According to views of various authors [3] that competition acts as an economic process of

interaction, relationship and struggle between corporation acting in the market to provide the best opportunities to market their products, to meet diverse needs of customers and maximize profits. However, in contrast to the above, Glazov N.N. [4] explains the concept in terms of competitive products and companies for the attention of potential customers.

After analyzing the literature [1; 2] we offer a more accurate understanding of the essence and role of competition to consider its views (Fig. 3).

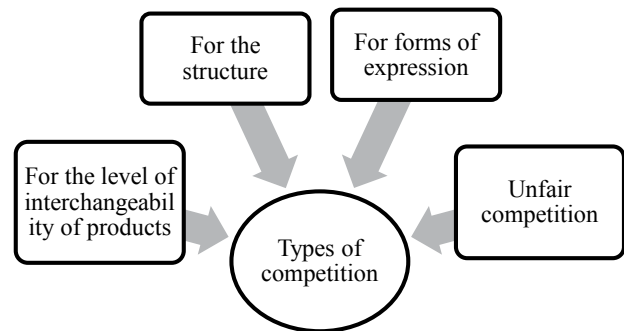


Fig. 3. Types of Competition

A common view of competition – intra branch competition promotes production efficiency and improve product quality. Producers of the same industry competing with each other, forced to constantly update the means of production, introduce new technologies, develop entirely new products, enrich the product range, optimize the structure of production in accordance with market needs.

Competitiveness of agricultural corporations – is the ability of economic operators of the agrarian sector to adapt to new economic conditions to use its competitive advantages and win in competitive struggle on the markets of agricultural products and services.

Maximizing the use of land resources as much as possible to meet the buyer's needs by analyzing market structure and flexibly respond to changes in its environment. However, we have some comments concerning this definition because the definition is limited only by the effective use of land resources. Without a doubt, efficiency of land use influences the competitiveness, but there are other corporate resources at hand, this category depends on the rational use of these resources to a certain extent. Not far from here is also the disregard for consumers needs because the welfare of a corporation depends on the latter.

Given the characteristics of agriculture it is advisable to provide the following definition of competitiveness for agricultural corporations. The company's ability to realize their opportunity to make products with certain competitive advantages towards the better corporations – rivals. Selling it profitably to consumers on the market for a long period of time.

Depending on the degree of interchangeability of products providing 4 levels of competition:

Table 2

Matrix formation of a competitive market map

market share the rate of growth in market share		Class-specific groups			
		Market leader	Strongly competitive position	Weekly competitive position	Market outsiders
		A	B	C	D
Fast growing competitive position	A	1	5	9	13
Growing competitive position	B	2	6	10	14
Weakening competitive position	C	3	7	11	15
Fast weakening competitive position	D	4	8	12	16

Based on: [3]

Level 1 – General competition – at it corporations assume a competitor in each manufacturer involved in the fight for consumers’ money;

Level 2 – formal competition – the corporation considers everyone as a competitor, who produces products designed to satisfy the same needs.

Level 3 – the branch (specific) competition – competing corporations are producing the same product or group of products.

Level 4 – competition of trade marks (objective or marketing) – takes place if the corporation sees competitors in corporations offering similar products/services to the same target customers at reasonable prices [4].

The competitive market map is a classification of the competitors on their positions on the market and serves to determine the status of competitors and ordering of competitive advantage (table. 2).

Let’s have a look on how influence of potential competitors impacts on the level of competition.

The severity of this threat depends on the barriers, that is, the competitors difficulties and costs, which have to overcome the «novice» compared to the «old-timers» of the industry.

Factors reducing pressure from new competitors are: the need for initial capital to penetrate into the branch; efficient scale of production, currently not accessible for the beginner; lack of access to distribution channels, etc.

Impact of suppliers manifests as following: Suppliers interact with companies, providing them direct effect, which is amplified in the following cases:

- products are highly differentiated of suppliers or unique, therefore, the buyer has difficulties to change supplier;
- branch of corporation is not important customer for the supplier;

- the costs of transition to another supplier.

The pressure of suppliers can be reduced through the establishment of alternative supply channels. Consumers in a greater degree may affect the strength of competition in the industry. This strength increases in the following cases:

- standardized products and differentiated;
- buyable products do not occupy an important place in the priorities of the buyer;
- the buyer has good information on all potential suppliers.

Impact of buyers weakens while expanding the boundaries of the branch market, differentiation and specialization of the product, coordinating the efforts of manufacturers of the branch lack of substitute goods.

Scientific and technological progress determines the appearance of substitute goods – new products and services that can successfully perform functions of traditional products [5].

Pressure of corporations producing substitute goods, reflected the fact that the prices and the availability of substitutes creates a price ceiling for basic goods in cases where the price of basic goods is higher than this ceiling.

Competition from substitutes depends on is it easy or difficult for customers to shift to the competitor and what are the cost of reorientation. The lower the price of a substitute, the less cost of refocusing on a substitute and higher product quality, the stronger the pressure of competitive forces by substitutes.

Each of the factors characterizing competition on the market, estimated by experts at a scale. The experts may be engaged managers and leading specialists of the corporation. For example, if a factor, according to experts, does not manifest itself on the market and there is no evidence

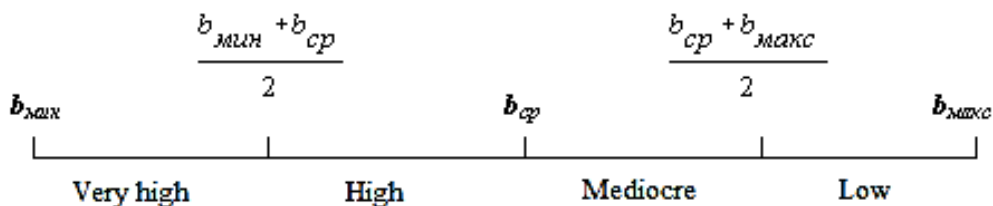


Fig. 4. Assessment of the impact of competitive forces on the market

its existence, the power of manifestation of this factor is estimated to be 1 point; If the factor is weakly manifested – 2 points; If the factor is clearly manifested – 3 points.

Thus, obtained that way the estimation of the degree of influence of each of the five forces of competition on the market is the weighted average rating and on the basis of obtained average score we may conclude (Fig. 4)

To account for the relative importance of the various factors of the particular «weight» of each of them is determined directly during the analysis.

In addition, the factors considered have different effects on the competition on the market.

Conclusions. Strategic sustainability is a major ability of corporation businesses to adapt to environmental changes while maintaining their efficiency and consolidating a competitive position in the market. The ability of companies to fight in the field, on national and international markets is reflected in its competitiveness, which is shown

only if the competition generates economic conditions and rules of behavior on the market. This relationship between the concepts of competition and competitiveness points to their interdependence, one follows the other.

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