

CHALLENGES OF STRATEGIC PLANNING AT A MODERN ENTERPRISE

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Abstract: Relevance of this research is high due to the challenges encountered by modern enterprises in strategic planning. The paper summarizes the outcomes of different planning strategies chosen by the enterprises operating in the region; reveals causes hindering the wide use of progressive elements of strategic planning by the enterprises belonging to certain groups; examines conditions of the preparatory stage for organizing strategic planning in the enterprise; validates organizational prerequisites necessary to build up the resource capital of strategic planning for business management. The paper has a practical value for the heads of businesses and of municipal and state governance bodies, as it contains recommendations on revision of the company philosophy reflecting its core values and guiding principles.

Keywords: strategic planning, operational planning, market research, market orientation, enterprise management, resource capital.

1 Introduction

Today in the challenging economic circumstances, companies in Russia seek effective management and planning frameworks. And independence of the companies in the market economy in setting key targets, long-term goals and roadmaps have amplified importance of the planning function.

It should be noted that strategic planning at the company level in the companies with an administrative-command management system was not implemented since there was no need in such planning when the operating environment is rather stable. Anyway companies made long-term plans, but planning was based on the method of extrapolation and directive indicators. In 1980s, the western ideas of strategic planning were first applied in the Soviet economy, but back then it was not adopted at the micro-enterprises (Karpov, 2009; Markova & Kuznetsova, 2019; Shershneva & Oborska, 2004; Nalivaychenko, 2007, 2009; Nalivaychenko & Dorofeeva, 2011; Kirilchuk & Shpak, 2014). Therefore, it is important to empathize that despite changes in the overall market development context, its objectives and principles, regardless of business models, the planning function retains its importance and remains relevant (Abramov V. S. & Abramov S. V., 2019; Berezhnov, 2018; Burov, 2018).

In present days, the reforms in the Russian economy lead to changes in the business philosophy and behavior of business actors, transformations in the business management framework and strategic thinking of chief executives (Kirilchuk & Nalivaychenko, 2016; Fahey L., Randall, 2016; Malyuk, 2019; Nalivaychenko et al., 2018). It is also worth mentioning that there remain a number of unresolved issues in the field of strategic planning that impede its implementation. In the national economy, the above issues evoke strong interest among economic researchers and practitioners and validate the relevance of this study.

2 Literature Review

Regardless of a business model, planning is essential to the business efficiency (Skomoroschenko et al., 2018; Pripadchev & Gorbunov, 2015; Wilson, 1998).

The foreign practice indicates that a company needs a clear plan for the future envisioning the main strategic direction of its development. P. Doyle (1999) noted that "the significance of planning is that it is the only route available to any company which will clearly increase the odds of success" (p. 181). In the dynamic external environment, a need arises to use the concept of strategic planning based on which the adaptive framework can be built to respond to the changing market conditions. However,

in the international community attitudes toward strategic planning have changed several times over the past 30 years, from a widespread praise to critical rejection (Kleiner, 1998; Wilson, 1998). J. G. Wissema (1996), a renowned Dutch economist, asserts that "analytical methods of strategic planning are still widely used today. The only thing that has changed is that these methods are no longer confined to the planning department, they have become a tool of analysis and deep thinking used by the entire company" (p. 177).

Meanwhile, as noted by Russian scientists focusing on introduction of strategic approach in the enterprise management, the issues of strategy development have not yet occupied a prominent place in the company life (Gerasimov et al., 2017) Nalivaychenko, 2019; Rozanova, 2019; Shemeneva & Kharitonova, 2017). Therefore, today the urgent problems are the current attitude of chief executives of Russian companies to strategic planning; the extent to which strategic planning is used in Russian companies; the use of elements of strategic planning in business practice; the causes hindering introduction of strategic planning at the microlevel.

3 Materials and Methods

The research purpose was to reveal the attitude of Russian companies to the function of strategic planning, the practice of using its elements, the possibility to apply the concept of strategic planning.

The research objectives were as follows:

1. To conduct a survey among chief executives of different enterprises in order to explore what types of strategies are adopted by the enterprises and the extent to which the elements of strategic planning are used in their business practices.
2. To develop recommendations on introduction of strategic planning in a modern enterprise.

Ten questions included in the questionnaire for the top executives of various enterprises from different regions, described below, were intended to examine the following aspects:

1. Revealing the attitude of top executives from different regions to the planning function.
2. Comparing the weight of strategic planning versus operational planning at enterprises that attach importance to the planning function.
3. Revealing the need of large, medium and small enterprises in a strategy.
4. Identifying the strategy of diversified enterprises.
5. Describing the planning period in enterprises with market orientation.

The raw data was collected through expert survey. For data processing the economic methods were used: analytical, economic-mathematical, logical, forecasting methods.

4 Results and Discussion

The survey held in 2019 by random sampling method covered 37 enterprises in the Republic of Crimea: these are different enterprises from Central (Simferopol, Simferopol District), Eastern (Kerch) and Western (Yevpatoria, Saki) economic regions.

The survey encompassed businesses that differ from each other, including companies that operate in the international market, that have market orientation, companies of different forms of ownership, types and images. For delving deeper into the differences of strategic planning in different enterprises and validating the formulated theoretical premises of this research we have classified the companies by the following attributes:

type of activity; size of the enterprise; market orientation; importance of the planning function.

The main characteristics of the surveyed enterprises are provided in Table 1. The surveyed enterprises are characterized by certain intrinsic features that determine specific nature of strategic planning practices.

The enterprises' share in total sample across economic regions is roughly the same: 38.5% in the Central, 36% in the Eastern, and 26.5% in the Western region.

Table 1 Key Characteristics of the Surveyed Enterprises across Crimean Regions

| Crimean Regions | | | Enterprises' share in total sample, % | | | | | | |
|---------------------|-----------------------------------|-----------------------------|---------------------------------------|---------|-------|-------|-----------------|--------|------|
| Crimean Regions | Operating in International Market | Having a Marketing Strategy | Form of Ownership | | Size | | Corporate Image | | |
| | | | Collective | Private | Large | Small | High | Medium | Low |
| Central | | | | | | | | | |
| Simferopol | 14.3 | 100 | 85.7 | 13.6 | 50.0 | 9.1 | 50.0 | 48.9 | 17.1 |
| Simferopol District | 15.8 | 79.3 | 45.4 | 52.4 | 47.2 | 60.1 | 47.2 | 60.1 | 25.7 |
| Western | | | | | | | | | |
| Yevpatoria | 34.3 | 89.2 | 59.8 | 47.0 | 23.5 | 23.5 | 35.3 | 58.8 | 15.9 |
| Saki | 11.5 | 85.2 | 75.7 | 57.9 | 10.5 | 73.7 | 36.8 | 57.9 | 15.3 |
| Eastern | | | | | | | | | |
| Kerch | 47.8 | 82.9 | 69.3 | 40.0 | 32.5 | 45.2 | 31.7 | 61.0 | 17.3 |

Source: compiled by the author

As follows from the data in Table 1, basically, within the sample there are no significant differences in the surveyed parameters from region to region. But specific features of the sample have been revealed: the form of ownership of most surveyed enterprises is collective, except for the enterprises from Simferopol District (which share is 45.4%); most enterprises are engaged in trade, except for the enterprises from Simferopol, a considerable portion of which have diversified their activities (50.2%); the majority of enterprises are small and medium in size, except for the enterprises from Simferopol; the highest number enterprises operating in the international market is located in Yevpatoria, 34.3%, and in Kerch, 47.8%. Almost all surveyed enterprises have orientation towards the market needs, or in other words have a market-driven management.

The research found that a significant number of enterprises place importance on the system of planning and control, their share across the regions varies in a range from 55% to 65.3%. Thus, 52.2% of enterprises in the Eastern region and 67.3% of enterprises in the Central region of the Republic of Crimea believe that success in unstable conditions is to a large extent assured by a good planning system. But in contrast to the identified trend, the value of the planning and control function is recognized by only 27.3% of enterprises in Saki town (where small enterprises account for 75.7%).

The research brought us to a conclusion that the planning function is important for the enterprises in Central and Eastern regions of the Republic of Crimea. The results of the survey among top executives of these enterprises showed that as concerns the weight of strategic planning as compared to operational planning, there is a clear picture and certain differences both between enterprises across different regions and across different groups within the sample, which is natural. Russian enterprises generally give more weight to operational planning, while the share of enterprises that see strategic planning as more important is as follows: in the Central region (25.4%) in the city of Simferopol and 28.6% in Simferopol District) it is almost twice as high as in the Western and Eastern regions.

It should be noted that the correlation between importance of the planning function for enterprises and the weight of strategic planning has been revealed. The larger the share of those enterprises that attach importance to the planning function, the larger the share of those enterprises for which strategic planning has more weight than operational planning. Thus, in Simferopol 65.3% of the surveyed enterprises attach great importance to planning while the weight of strategic planning is recognized by 25.4%, among the surveyed enterprises in Kerch the shares were

55.2% and 18.6%, respectively, and among the enterprises in Yevpatoria - 50.9% and 14.8%, respectively.

It was also established that the share of enterprises that recognize the weight of strategic planning is higher among large enterprises as compared to small enterprises. Thus, among large enterprises of Simferopol District, their share in the sample was 48%, and among small enterprises - 18.7%. Analysis of the survey results found that companies that attach great importance to the planning function, recognize the high weight of strategic planning and more eagerly use its elements (mission, strategic goals).

Interesting is the tendency that the prevailing majority of all enterprises (which share varies across regions from 58.7% to 88.7%) define strategy as a driver of success and recognize the need to develop it, though still give preference to operational activities. Moreover, as evidenced by results of the survey of chief executives of different enterprises from the indicated economic regions, large enterprises have a stronger appreciation of the need to develop a strategy and to introduce strategic planning. However, it should be noted that such appreciation is more common for enterprises in the Eastern and Western regions. Yet, paradoxically, among the large enterprises from Simferopol (55%) the share of those that attach great importance to planning and the need for strategy development is much lower (47.1%) than among small enterprises (80.7%). The picture is similar for the enterprises in Simferopol District: only 45% of large enterprises highlight the importance of strategy development, while this number among small enterprises is 65.1%.

In response to the suggestion to choose the most appropriate strategy for the enterprise, the answers of the surveyed executives were distributed as follows (Table 2).

Table 2 Analysis of Strategy Types Chosen According to Survey Results

| Strategy type | Crimean Regions, in % | | | | |
|------------------------------|-----------------------|---------------------|------------|------|-------|
| | Simferopol | Simferopol District | Yevpatoria | Saki | Kerch |
| 1. Strategy of rapid growth | 36.7 | 64.5 | 65.7 | 49.4 | 61.0 |
| 2. Strategy of modest growth | 36.7 | 12.8 | 8.8 | 46.4 | 10.5 |
| 3. Strategy of liquidation | - | 4.5 | - | 4.2 | - |
| 4. Integral strategy | 26.6 | 18.2 | 25.5 | - | 28.5 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: compiled by the authors

Thus, most respondents (36.7% - 65.7%) picked from basic strategies offered in the survey the strategy of rapid growth as the most suitable strategy, which is the riskiest. This speaks to the intention of enterprises to expand their activities. It should be noted that the share of enterprises that chose a strategy of modest growth is lower and varies across regions from 8.8 to 46.4%.

Obviously, to some extent the growth is expected to be achieved by moving into foreign markets. This supposition is supported by the finding that in future 50% of the surveyed enterprises from Simferopol, 25% from Simferopol district, 40% from Yevpatoria, 30% from Saki and 60% from Kerch town, plan to operate in foreign markets. Interestingly, only 4.2% of the surveyed enterprises based in Simferopol District and 4.5% of enterprises based in Saki town chose the liquidation strategy. It should be noted that most of these enterprises are small and currently face a rather difficult financial situation.

Since the strategic planning is based on the analysis of external and internal environment of the enterprise, the survey included questions related to this element of strategic planning. Thus, the survey revealed that the majority of companies (95.7% in Simferopol, 89.3% in Simferopol District, 98.1% in Yevpatoria, 88.2% in Saki, 95% in Kerch) perform analysis of their internal environments. Executives become aware of the company's strengths and weaknesses based on the analysis results. As concerns examination of external environment, these enterprises

pay close attention to such external factor as competitors. The survey identified the enterprises from Simferopol, Yevpatoria and Kerch, which monitor the activity of their competitors. Their share is, respectively, 50; 60 and 40%. It should be noted that those enterprises, which find no interest in competitors and believe it is not necessary to study their activities, are few (4.2% to 4.5% across the regions).

As the research results revealed, over the past 10-15 years the operation plans have been developed by enterprises for a very short time span. Thus, annual plans are developed by most surveyed enterprises (94.5% - 97.2%), while the share of enterprises whose planning time span is 6 months varies across regions from 91.4% to 92.2%. At the same time, the share of enterprises with biennial plans or plans for a longer period is rather low and varies across regions in a range from 50.3% to 51.6%.

It has been established that the planning timeframe largely depends on the size of an enterprise and its market orientation. Thus, among large enterprises, the share of enterprises that develop plans for one, two or more years varies across regions from 85% to 90%. Among medium-sized enterprises, this share varies from 54.4% to 86.3%, while among small enterprises the range is from 25.2% to 75.5%. Thus, most of the surveyed enterprises are managed based on a short planning period.

It is also interesting that at the surveyed enterprises with strong market orientation plans are developed for a longer period. The share of such enterprises with a planning period of one year or longer exceeds the average result across all surveyed enterprises. This indicates that enterprises with orientation towards the modern market intend to sustain their operations for a long while, and for this purpose they need a forward-looking strategy.

Analysis of the survey results also made it possible to identify causes that hinder the use of strategic planning by enterprises. According to the respondents, the major cause is instability of the external environment (Table 3).

Table 3 Analysis of Caused Hindering the Use of Strategic Planning in Enterprises, based on the survey results

| Responses | Simferopol | Simferopol District | Yevpatoria | Saki | Kerch |
|---|------------|---------------------|------------|------|-------|
| 1. Impossible due to highly unstable external environment | 81.4 | 44.5 | 57.1 | 67.9 | 50.9 |
| 2. Inexpediency in current circumstances | 17.1 | 51.4 | 33.5 | 31.1 | 36.8 |
| 3. Lack of competent specialists | 31.4 | 34.1 | 27.6 | 15.2 | 22.2 |
| 4. Lack of methodological and informational support | 17.1 | - | 21.8 | 25.8 | 37.3 |

Source: compiled by authors

The impossibility to use strategic planning at the enterprise in the unstable environment is predicated by changes in the legislative framework and by economic factors. For the majority of enterprises, the second cause is low confidence of managers in the expediency of strategic planning (the share of such enterprises across regions varies from 44.5% to 81.4%). This cause is obviously related to the problem with sufficiency of material, financial, informational and intellectual resources, as well as to certain psychological barriers among executives of enterprises to innovations.

Indeed, the strategic planning process is very intricate and includes strategic analysis and choice, development of strategic program and assessment of strategies. Each of these stages requires the resources mentioned above. Therefore, it is indeed an overwhelming task for some enterprises (especially small ones) to build a strategic planning framework due to the insufficient capacity. For this reason, the cause ranked third by the respondents is the lack of competent specialists and lack of

methodological support (while in the Central region this cause was chosen more often (31.4%) than in other regions).

In connection therewith, the majority of respondents, being aware of all the benefits of strategic planning and its essential role for the future, noted the usefulness of training to enhance the skills of their staff in the field of strategic management. Such training is in the intentions of 95.9% of the surveyed enterprises in Simferopol, 89.3% in Simferopol District, 98.2% in Yevpatoria, 100% in Saki, 98% in Kerch.

The lack of methodological and informational support also prevents respondents from organizing and implementing a full-blown strategic planning process.

The comparison of the results of this research in this region with the results of similar researches over the past 20 years revealed that the essence of the problems of strategic planning in enterprises has not changed, although a positive trend has been observed over the past five years.

5 Conclusion

The objectives pursued in the research, which we intended to verify with the help of the survey among enterprises, have been addressed as follows:

- The results obtained in the survey revealed that today in the current business conditions the enterprises use the planning function.
- Present times require the shift in thinking of enterprise executives towards realizing strategic utility of a systemic situational approach to business planning and management, since strategic planning is currently represented only by individual elements of strategy development, and enterprises focus their efforts on immediate problems, i.e., on operational planning;
- Large enterprises utilize strategic planning more than medium and small enterprises;
- Diversified enterprises more often follow the growth strategy;
- The enterprises with a strong orientation towards markets outside the region need a preparatory stage to build up the resource capital essential for strategic planning, which may be achieved based on the organizational principles laid down below.

For intellectual capital building:

- Improve the qualifications of staff in the field of strategic management;
- Master the methods of data analysis, diagnostics of business environment and other analytical tools of a system of strategic management;
- Encourage staff through development of their creative thinking to achieve long-term goals of the company and acquire the skills of strategic analysis and development of a strategy.

For material capital building:

- Provide modern computer equipment to the business units;
- Provide modern telecommunication facilities to the company's functional units, counteragents and customers.

For informational capital building:

- Monitor external and internal environment of the enterprise;
- Systematize risk management databases;
- Create electronic documents for analyzing information about the factors of external and internal environment;
- Introduce digital database platforms and adopt methods for processing statistical data on external and internal environment.

For the modern enterprises geared up for a long-term success in the market, strategic planning is absolutely essential, and as

demonstrated by results of this research, the companies of any size should aim for establishing a sustainable and long-term system of strategic planning.

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Primary Paper Section: A

Secondary Paper Section: AE, AH