

## METHODOLOGICAL ISSUES OF STRATEGIC PLANNING IN ENTERPRISES TO ADDRESS CLIMATE CHANGE

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### **Abstract**

The research is devoted to the topical issue related to the strategic enterprise management. The main scientific and practical problem of the research is the lack of a unified approach to the formation and implementation of enterprise development strategies. The purpose of the research is to update the most significant methodological issues concerning strategic management, which are typical for the planning stage in enterprises in modern conditions. The research methodology is based on the theses of modern strategic management theory, the sustainable development concept, the economic analysis theory, and enterprise economy theory. The authors describe approaches to strategic management, in particular, planning at enterprises, and reveal strategic planning essence. Non-uniqueness of strategic plan variants and even non-uniqueness of strategic goals in uncertainty conditions are substantiated. A sliding strategic planning method is also considered in the paper.

### **Introduction**

An enterprise is the most important economic unit in any economic system, regardless of the sphere and scale of its activity. Management as a science are formed around the main problem: to maximize benefits in the long run at the most acceptable costs in the present through the implementation of effective organizational and economic measure complex. The enterprise development, expanding market share, improvement of financial indicators is the consequence of correct management strategizing and appropriate goal making.

Modern enterprises operating in the highly competitive environment and under increasing transaction costs require effective strategic planning methods corresponding to our times spirit and socio-economic changes taking place in society. In its turn, it makes us rethink the theoretical and methodological foundations of strategic management, and improve the organizational and economic mechanisms of the most important management function, i.e. planning.

Scientific and practical problem of the research is the lack of a universal approach to the formation and implementation of development strategies used by enterprises. This fact is due to a number of objective factors. We should note that there cannot be any universal approach to solving strategic tasks at the micro level. Each economic entity is a separate, quite unique socio-economic system with its own internal and external factors complex which is in constant development and changing. Nevertheless, science can offer a system of methods and planning tools applicable to certain conditions. Now there are many disputes about the applicability, effectiveness of some

methods, tools, techniques for making specific decisions under the continuous managerial impact. The purpose of the research is to update the most significant methodological issues of strategic management, which are typical for planning stage in enterprises in modern conditions.

### **Materials**

The relevance of strategic management has been proven by numerous studies of scientists around the world. Issues of development and implementation of strategic management concepts were considered by I. Adizes, R. Akoff, I. Ansoff, D. Cleland, F. Kotler, M. Porter, D. Strickland, A. Thompson, C. Andrews and others. Business strategies were studied from the position of analysing the impact caused by an external environment, competition, time factor, and uncertainty by P. Doyle, F. Kotler, and R. Oldcorn. Also we must highlight Russian management school, which studies the issues of enterprise management in complex conditions of developing economy, instability and foreign policy pressure. The school is represented by such scientists as B. Bakhterev, O. Vikhansky, G. Kleiner, V. Danilin, G. Mintsberg, V. Katkalo, A. Sterlin and others.

At present, there are some groups of approaches to strategic management and, in particular, planning at enterprises. Specificity of each group is represented by following.

- Enterprise activity scale: large, medium and small businesses (Bereznoy, 2017; Shpotov, 2001);
- Long-term targets: profit growth, market share expansion, innovative programs implementation, etc. (Golikov et al, 2018; Lenchuk, 2018; Matthews, 2003);
- Methods and tools applied in enterprise strategic policy; strategic alternatives implemented (Petruk & Vorozhbit, 2017; Kuzubov et al, 2018; Rakhmanova & Kryukov, 2019; Starov, 2007);
- Sectoral and regional aspects widely developed in Russian scientific school (Brovko & Petruk, 2016; Kozlova et al, 2016; Shashlo et al, 2018).

Today scientists usually identify the following stages in strategic management structure formation:

- analysing external and internal environment;
- making final goals and tasks of enterprise development;
- developing a strategy (strategic plan) to achieve these goals and tasks;
- the strategy implementation;
- analysing the strategy effectiveness.

The approaches studied make us to conclude that science has made a great progress in the field of environmental, efficiency analysis and goal making. The main weakness of enterprise management system is still the lack of an effective and adequate to market situation mechanism of strategic planning. In this regard, further development of tools for strategic plans realization will increase both internal efficiency and external (market) competitiveness of enterprise.

### **Research methods**

The research methodology is based on the theses of modern strategic management theory, the sustainable development concept, the economic analysis theory, and enterprise economy theory. In terms of research methods, the authors use general research methods, including systematization, generalization, abstraction, and comparison. The research is based on the conceptual apparatus developed by the world science, which enable objectively and reasonably investigating such scientific categories as enterprise, strategic management, strategic planning, efficiency, competitiveness, etc.

### **Research results**

Any unified accepted definition of «strategy» concept does not exist. «Strategy», or «strategic plan» concepts came into business practice from military science. Strategy (from Greek στρατηγία, «the art of a war») means a plan (steps) of activity and a way of actions over a long period. We should note some aspects that are often overlooked. Strategic plan is entire, but is opened for changes, sometimes substantial ones, in the main goal achieving process. Ways to next

steps are formed on the basis of new circumstances, for example: new products, techniques, technologies, information about competitors.

Different authors, according to their understanding of strategic management essence, propose various, sometimes similar methodological approaches to strategic planning, i.e. to development and strategic plans implementation. But even when the understanding of strategy seems to be objective, we must be aware of all the limitations of common approaches because of peculiarities of an enterprise and its own problem situations. Let us consider only the main classic concepts.

I. Ansoff defines strategy as a set of rules for making decisions that guide an organization's activities. Strategy is a systematic approach to management that provides the organization process with balance and general direction of growth (Ansoff, 1989).

P. Kotler writes that companies need strategy in order to correctly prioritize the allocation of resources. They need strategy to respond adequately to changes in the environment, and to competitors' behaviour (Kotler, 2008).

M. Porter suggests that a strategic plan development is based on a comparison of the firm and its environment. Production structure and competitive analyses are the main focuses of company managers (Porter, 2020).

In Russia, most scientists rely on Dr. O. Vikhansky's approach. «Strategic management is such type of enterprise management that relies on human potential as a foundation of organization. It focuses production activities on the needs of consumers, flexibly responds and makes timely changes in the organization to meet the environment's challenges and to achieve competitive advantages. All it enables an enterprise to survive in long term period, while to achieve the enterprise's goals» (Vikhansky & Mirakyan, 2018). We believe that this definition is quite comprehensive, emphasizing the actual processes in management.

We follow a simple and capacious approach to define strategic planning. Strategic planning is a system of purposeful actions leading to the long-term excess of enterprise's efficiency level over the competitors' efficiency level. Here we should note some fundamental points. Firstly, constant improvement of enterprise's positions is a sign of strategic planning. A long-term plan of action does not mean that it is a strategy. Management strategy is a relation not to the time of the management cycle, but to the cycle organization. Secondly, a sign of strategizing is uniqueness in tasks formulation. Management strategy is the art of creating and using those advantages that have the greatest weight, the greatest permanence, and that are the most difficult to reproduce.

Today, a strategic plan formation is becoming almost the only management tool that can ensure the effective operation of enterprise in complex, constantly changing and difficult to predict economic conditions.

The initial and important step of strategy is making long-term goals and tasks. The ultimate goal of building any strategy means long-term enterprise development, i.e. its transition to a new qualitative status providing its greater efficiency compared to the initial one and even compared to the planned status due to the synergistic effect.

Tasks are subordinate to the final goal and determine what results are to be achieved and when. Tasks actually provide an aggregate picture of the future enterprise's status in all its economic activities. Taking into account that the future is not predetermined, i.e. does not exist at the point of strategic goal making, we admit that the goal and its subordinate tasks are ideal constructs (models) of the future.

Strategic plan (strategy) is a complex of tasks that must be completed in order to achieve the goal. The plan allows for changes and, moreover, must have spare options for emergency case which can take place under significant unpredictable reasons. Non-significant factors can be neglected. The significance level of the reasons is determined by enterprise management depending on the potential losses, which follow the reasons. For example, Russian business faces such unexpected factors as political sanctions from Western countries. The sanctions have changed the export-import structure of Russian foreign trade, the national currency exchange rate, and income level of the population. World practice faced the Covid-19 pandemic in 2019-2020. We should note

that the pandemic beneficiaries became companies who have seized opportunities of remote work and online sales in time.

The object of spare options availability (Plan B, Plan C, etc.) in strategic plans is very relevant. Companies quite often face a dilemma: to continue moving within the previous strategy, when significant resources have already been spent, or to change the strategy for greater prospects, but with greater expenditure of resources. In companies with traditional management, it is often believed that the plan must be completed to the end, regardless of the changes taking place around them. At the government level, this can lead to the preservation of nomenclature and over-standardization of technology, without adoption of new ideas, opportunities or products. For example, transnational corporations fighting for their product quality and fearing the property rights dilution, consciously exclude national features from the production process. In particular, a hamburger in different countries has the same ingredients today.

As a result of analysing the influencing significant external factors in dynamics, enterprise management can decide to stop implementing the existing plan (even halfway to its end) and switch to a new strategic plan. Contrary to popular view, this is not a sign of bad management. This can be called the good management if the choice of a new strategy will lead to at least one of the following competitive advantages:

- superiority in skills, expertise, and experience;
- superiority in resources;
- positional advantages.

When the strategy is changed, two ways are possible.

1) The final goal is not changed. Only trajectory to achieve it (technique, methods, location, tasks, organizational structure and others) are in changing.

2) The final goal changes when principal unattainability of the goal in current conditions is accepted.

We offer a strategic planning scheme for an enterprise that gives a possibility of changing the final goal achievement trajectory (Figure 1).

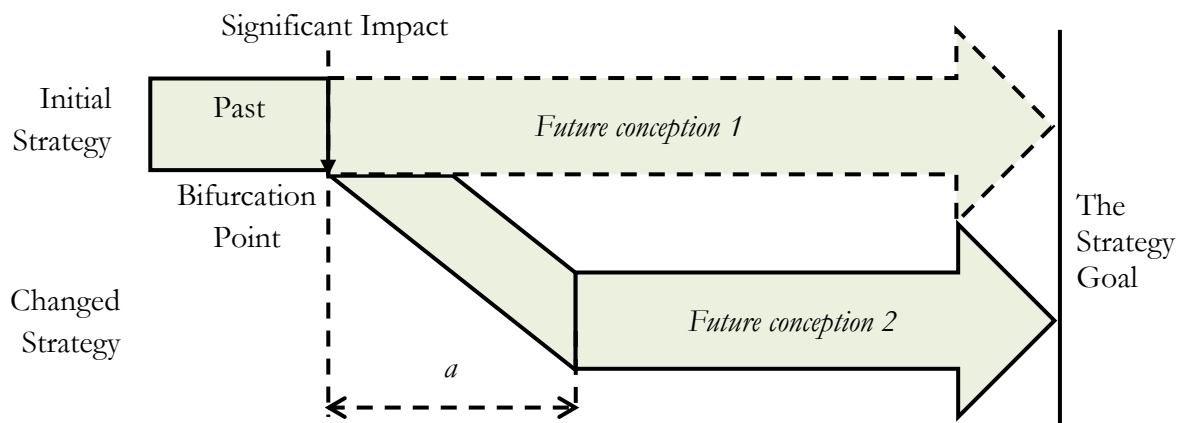


Fig. 1. Strategic planning scheme with a possibility of changing the goal achievement trajectory

Significant change of reality will definitely cause an increase in investment costs and take some time to switch to another trajectory of development. It will require solving other, initially unplanned tasks. After the bifurcation point, expenses  $a$  will be added to the initial costs. However, all the costs under the scheme «Future conception 2» can be compensated by achieving a strategic goal, which cannot be achieved under the scheme «Future conception 1». Thus, the fundamentals of strategic changes include the acceptance of the significant impact inevitability and the understanding of need for appropriate changes from the management of enterprise.

Sometimes, in case of very significant change, there is a risk the goal cannot be achieved. Then it makes sense to talk about changing the goal or lengthening the time corridor to achieve it.

In this case we suggest using a sliding planning method. Sliding strategic planning is a combination of long-term plans with possibility of tactical changes over time. In other words, it is a system of interrelated strategic and tactical decisions, which takes into account significant factors of external environment. An example of such planning is presented in Figure 2.

Periods	1	2	3	4	5	6	7	8	9	10
<b>First strategic plan version</b>	a <sub>1</sub>	b <sub>1</sub>	c <sub>1</sub>	d <sub>1</sub>	e <sub>1</sub>					
<b>Second strategic plan version</b>		a <sub>2</sub>	b <sub>2</sub>	c <sub>2</sub>	d <sub>2</sub>	e <sub>2</sub>				
<b>Third strategic plan version</b>			a <sub>3</sub>	b <sub>3</sub>	c <sub>3</sub>	d <sub>3</sub>	e <sub>3</sub>			
<b>Fourth strategic plan version</b>				a <sub>4</sub>	b <sub>4</sub>	c <sub>4</sub>	d <sub>4</sub>	e <sub>4</sub>		
<b>Fifth strategic plan version</b>					a <sub>5</sub>	b <sub>5</sub>	c <sub>5</sub>	d <sub>5</sub>	e <sub>5</sub>	

Fig. 2. Scheme of using the sliding strategic planning method in enterprise

Let a strategic plan be developed for five years, while tactical plans are developed for one year. Then every year new five-year plans should be developed for the future, taking into account significant changes that occur during the strategic plan implementation. The vertical arrow means impact of current changes in the strategic period by means of new ideas, technologies, products, and transition to another strategic trajectory. Letters *a*, *b*, *c*, *d*, *e* with indices mean the appropriate stages of strategic planning (for one year). Composition of the stages does not change fundamentally: only the tactical tasks list changes in order to achieve the changed goal. For example, the stage *a*<sub>2</sub> content can already be substantially different from the stage *b*<sub>1</sub> content. The strategic management process ceases to be linear, delayed, adaptive, and becomes spiral, proactive and quicker. The strategic plan includes projects of different ways to achieve the goal.

### Conclusions

Strategic planning is an important part of strategic management. Most methods and tools in strategic management are used to develop and implement long-term plans that include goals, tasks, methods and actions. Strategic planning is a key to long-term development and at the same time, it is a very individual action for each enterprise.

Many companies traditionally use a planning approach by achieving initial targets at any cost. However, practice shows the ineffectiveness of such approach. Planning methods presented by the authors admit non-uniqueness of a strategic plan and even non-uniqueness of a strategic goal during the enterprise development. The choice of a new strategic plan variant take place as a result of significant external factors impact and is determined by management decisions rationality. We agree that investment costs may increase significantly if the strategic plan is changed. However, the probability of achieving the goal or achieving a significant result under the new plan also increases.

The sliding strategic planning method presented in the paper is a tool for timely development of tactical tasks complexes at each planning stages in order to effective and long-term enterprise development.

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