

# The Use of Analytical Tools in the Justification and Adjustment of the Company's Strategic Guidelines

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**Keywords:** Analysis, analytical tools, strategy, strategic guidelines, strategic management.

**Abstract:** The article shows the need to improve the strategic management of companies based on the development of analytical tools for the development and implementation of the strategy. The authors clarified the concept of strategy and strategic guidelines. The results of the study of corporate transparency of Russian companies on the disclosure of information about strategic management in various aspects are summarized. The problems in terms of analytical support of strategic management are identified and the need for its further development is shown. The article presents the author's conceptual model of analytical support for strategic management of production companies. It involves the formation of a set of analytical tools for strategic management, focusing managers' attention on ensuring business continuity, minimizing risks, improving the efficiency of the company as a whole and individual business processes, which will result in an increase in the value of the business.

## 1 INTRODUCTION

In the context of a rapidly changing external environment, fierce competition and the introduction of sanctions, the determining factors for the success of companies are to increase the efficiency of their business and its development through the achievement of their strategic goals. Therefore, many Russian enterprises in the manufacturing sector of the economy are forced to deal closely with issues of strategic management. Quite a lot of foreign publications (Ansoff, 1979; Drucker, 1969; Ferguson, 1993; Mintzberg, 1994; Porter, 1998; Thompson, Strickland, 2007) and domestic authors (Vikhansky, 2002; Petrov, 2010; Khorin, 2006; Klochkov, 2010; etc.) are devoted to the problems of developing, implementing the strategy and evaluating its effectiveness. These publications contain separate analytical tools used in the process of developing company strategies. At the same time, a comprehensive approach is required to form analytical tools that ensure the development and implementation of the strategy, which will improve the quality of the developed strategies and ensure their implementation.

## 2 MATERIALS AND METHODS

General scientific methods were used in writing the article: analysis, synthesis, complex and systematic approaches, modeling. The article presents the results of research on information transparency of Russian companies on such an aspect of information disclosure as strategic management (data from the Russian Regional Network for Integrated Reporting).

## 3 RESULTS AND DISCUSSION

Since there is no unambiguous position on the concept of "strategy", we propose the following definition of it, which was formulated, on the one hand, by generalizing existing approaches, on the other hand, based on the tasks solved by companies in the process of strategic management. So, from our point of view, the strategy for the development of a production organization is a plan of action for the future, supported by solutions to adapt companies to the opportunities for obtaining competitive advantages and to the threats of weakening their competitive positions, in order to improve the efficiency of activities based on risk management, continuity, assets and business processes.

In practice, there are strategies with clearly defined goals in quantitative terms, developed by the management of companies, and strategies without well-thought-out and clearly formulated goals, which rather give an idea of the company's intentions. For Russian companies, the second option is more typical, especially for regional production organizations that belong mainly to medium-sized businesses. Some large companies do not disclose their strategic goals, which means that it is difficult to form an idea of them in this regard.

Since strategies are often cumbersome, vague and insufficiently justified, it is difficult to evaluate them and, consequently, to implement them. Therefore, it is necessary to identify the key points of the strategy, which will ensure the consistency of the interests of owners and managers who implement the same strategy, but at the same time have different interests. In this regard, there is a need to develop the concept of a "key strategic reference point", which will become a "beacon" in strategic development for each specific company. In our opinion, a key strategic benchmark is a key indicator, the achievement of which allows the organization to effectively develop and implement a multi-vector policy.

The strategy in the process of its implementation is forced to undergo adjustments under the influence of various factors. Leaving the strategic guidelines the same or not radically changing them, it is advisable to adjust the intermediate parameters of the strategy, the action plan. Significant adjustments to the strategy are allowed only in crisis situations and in case of drastic changes in business conditions. The study of the strategic guidelines of Russian corporations is usually carried out within the framework of studying the system of goals put forward by them and building corporate strategies (Polishchuk, 2019).

An integral part of the Russian Regional Network for Integrated Reporting (RRN) transparency studies of Russian companies is the study of the disclosure of strategic management information by major companies.

Thus, the report for 2013 presented the results of a survey of public reports of 100 companies from 24 industries. At the same time, 100% of the companies disclosed information about the strategy and its implementation. The best information is about the industry/market situation. However, some aspects are not sufficiently described: only 34% of companies describe their strategic goals in quantitative terms; 38% of companies describe the resources needed to implement the strategy. The contribution of the reporting year to the achievement of strategic goals is

disclosed by 82% of companies, while in the reports of 70% of companies this contribution is covered in both quantitative and qualitative descriptions. Among the leading industries in the disclosure of information about strategic management are the chemical, petrochemical and ferrous industries [Russian Regional Network for Integrated Reporting].

The RRN report on corporate transparency of the largest Russian companies for 2015 presented the following results. For such an aspect of transparency as strategic management, data on 182 companies that disclose information in excess of the requirements of Russian legislation are presented. Of these, 174 companies (96%) disclose information on the basis of which it is possible to judge their further development. The most disclosed information is the company's position in the industry/market. 138 companies (76%) have a strategy description, only 78 companies (43%) describe their strategic goals in quantitative terms; 51 companies (28%) disclose the resources needed to implement the strategy – this is the least disclosed aspect of strategic management. The contribution of the reporting year to the implementation of the strategy was described by 78 companies (43%) [Russian Regional Network for Integrated Reporting].

In 2016, 184 companies were surveyed, of which 103 (56%) disclosed information about the strategy and its implementation. RRN reports on company transparency for subsequent years are not publicly available. There is an acute problem of access to this kind of information, since the transparency of a number of Russian companies still remains poorly illuminated in the media and the Internet space. The imposition of sanctions against Russian companies has also affected their willingness and ability to disclose information about their strategic goals, as well as the resources used to achieve them.

Unfortunately, many Russian manufacturing companies do not have an effective and clearly formulated long-term development strategy or their strategic goals are not quantified. The reasons for this situation are:

1. Lack of close attention to the development strategy on the part of the company's owners.
2. Lack of highly qualified specialists in strategy development.
3. Insufficient alignment of the achievement of the company's strategic goals with the system of remuneration of top managers.

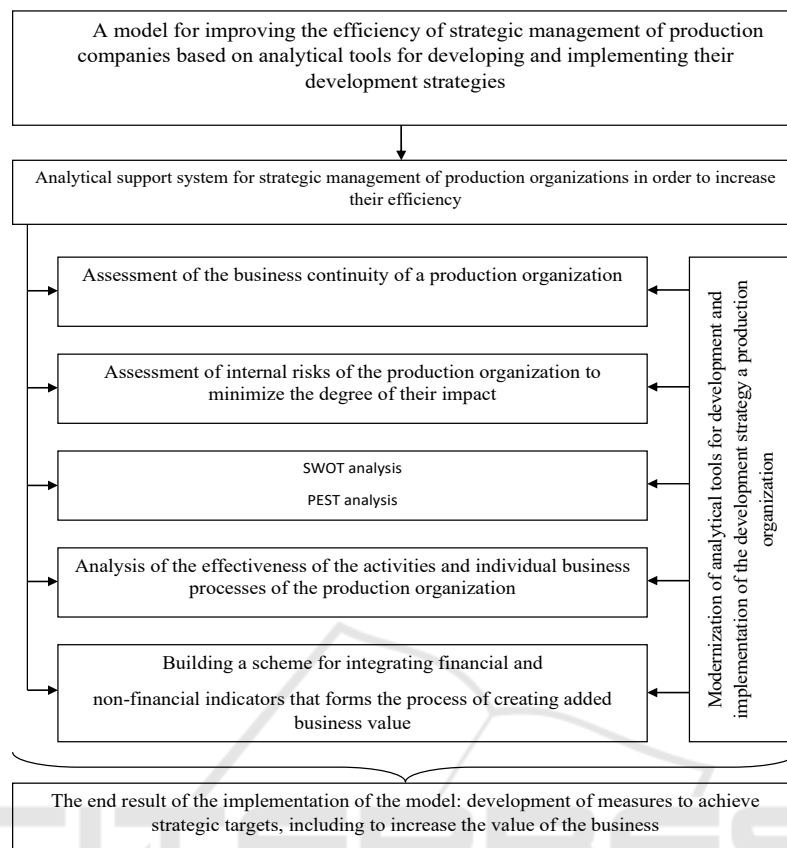


Figure 1: Model of analytical support for strategic management of production companies.

4. Poor alignment of the company's strategy with the development strategies of the regions and individual sectors of the economy.
5. Introduction of sanctions against Russian companies.

At present, companies' strategic guidelines need to be further aligned with regional development strategies, and in some cases with the country's development strategy as a whole, since these strategies are not sufficiently developed in all regions and are not fully provided with resources, including financial ones, which makes it difficult to develop and implement them. Nevertheless, there are serious theoretical developments concerning various aspects of regional development that are of practical interest both for regional managers and for those companies that consider it necessary and profitable to take into account the vector of regional development in their goal-setting [Belyaeva, Koziyeva, 2019; Bessonova, 2018; Vertakova, 2016]. The alignment of the companies' strategies with the strategic plans for the development of the territories will increase their efficiency, increase the investment attractiveness of the companies, and increase their value.

Improving the process of developing and implementing the strategy makes it necessary to create a model of analytical support for strategic management of companies, which should be based on the modernization and development of a set of analytical tools used to justify, adjust and implement the development strategy of production organizations.

The proposed model (Fig. 1) and its implementation will improve the efficiency of the company as a whole and individual business processes, ensure the continuity of the company's functioning, take into account and minimize risks, and accelerate the achievement of goals. Many manufacturing companies need to improve the effectiveness of their development strategy. This should also be aimed at improving the analytical support of the strategic management process.

Let's look at the individual analytical tools of this model.

In our view, the starting point for the implementation of the strategic priorities of the production company should be ensuring the continuity of its activities. This is necessary to reduce

the risks of business interruption and the negative consequences of such failures, and restore the business to an acceptable level. Therefore, the assessment of the continuity of the company's activities should be interlinked with the corporate strategy and the strategies of the business units. It is also important to rely on an understanding of the specifics of business processes in various organizations, taking into account their industry affiliation. It is advisable to integrate the continuity assessment into the organization's risk management system (diagnostics of bankruptcy risk). Equally important is which business unit will conduct the continuity assessment. Most often, the assessment of the continuity of the company's activities is difficult due to the lack of a unified methodological approach to its conduct and a quantitative assessment of the factors that threaten it.

The development and justification of a business development strategy must necessarily be accompanied by the identification and assessment of the level of risks. Performing the risk analysis for the purposes of strategic management, it is proposed to divide them into three groups: risks of strategic management zones and the external business environment; internal risks; risks of a separate project (product) [Petrov, 2010]. In our opinion, the company's internal risks deserve close attention, which can be diagnosed in a timely manner and then managed.

Currently, in the context of a decline in production in certain sectors of the economy and the introduction of sanctions, many companies are experiencing the need to identify points of potential tension, the presence of which can lead to a violation of the balance within the organization and conflicts, and as a result, to the inability to achieve their strategic goals. One of the methods for diagnosing internal risks is the standard model of the internal riskiness calculator of an organization, modified by us [Polishchuk, 2019], which can be used to identify, track, control and minimize points of tension in companies through corrective management actions. Its use is aimed at achieving strategic goals.

The classic analytical tools used in strategic management are SWOT analysis, PEST analysis, GAP analysis, which should be used to more clearly take into account the industry specifics of the organization and its position in the commodity markets.

The analysis of the achievement of strategic goals should include an assessment of the performance of companies: whether their achievement is accompanied by an increase in key performance

indicators, whether the remuneration of top managers is linked to the implementation of the set strategic goals and objectives. For the company, it is necessary to create key performance indicators, the system of which can be represented by performance indicators grouped by its types of activities, by functional zones, by areas of asset use, and other characteristics. The effectiveness of the company's activities and its progress towards the set goals is seriously affected by the effectiveness of individual business processes of the organization, which strongly affects the coherence of the actions of the company's divisions in the process of implementing the strategy.

When evaluating the implementation of companies' strategic plans, it is necessary to analyze the achievement of corporate performance targets. The target indicators can be the size and rate of profit growth, sales growth, an increase in the share of products in the market, indicators of return on assets and equity, and capitalization growth. "In achieving long-term goals, EVA, EBITDA and performance indicators calculated on their basis are indispensable. The company's goals may be to increase the value added of equity capital (SVA), market value added (MVA)." [Gracheva, 2016].

To link strategic goals with business processes and personnel actions at each level of the company's management, it is advisable to use such a tool as the balanced system of organizational performance indicators (BSC). It combines financial and non-financial performance indicators, as well as the achievement of strategic indicators and development plans of the company. To determine the company's prospects, goals and indicators, as well as the links between them, it is necessary to develop a strategic map. A strategic map with a description of non-financial quantitative goals (for example, increasing the company's market share, reducing the length of the production cycle of manufacturing products, increasing the satisfaction of both customers and staff) allows you to imagine the process of creating added value. Non-financial indicators should account for about 80% of the indicators. The optimal ratio of indicators is as follows: customers - 22%, internal business processes - 34%, training and development - 22%, finance - 22%. The strategic map identifies causal relationships that indicate how intangible assets (for example, the availability of highly qualified personnel, customer bases, brands) are transformed into tangible results (attracting new customers, providing increased revenue from the sale of new products and services, increasing profits and increasing the value of the company). Thus, the BSC allows the company to describe its strategy in an

accessible way in the form of a map and translate strategic goals into a clear plan of operational activities of departments and key employees for subsequent evaluation of results using key performance indicators (KPI). Ultimately, the KPI system used in the company should be aimed at ensuring the growth of the business value through the management of the factors that affect it.

The main goal of the implementation of the KPI system is to ensure the growth of the overall efficiency of the company, due to the fact that each of the employees will understand the relationship between their specific responsibilities and the strategic goals of the company. Managing a company using a system of key performance indicators allows you to look at the current situation in the company through the prism of a strategic perspective.

## 4 CONCLUSIONS

Further research is required on strategic management, in particular, on analytical support for the development and implementation of company strategies. The model developed by the authors provides for the formation of a set of analytical tools for strategic management, which will improve the efficiency of the company as a whole and individual business processes, ensure the continuity of the company's functioning, take into account and minimize risks, and accelerate the achievement of strategic goals.

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