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MODERNIZATION OF THE ENTERPRISE BASED ON THE DEVELOPMENT OF FINANCIAL STRATEGY

*The scientific article expands the theoretical basis of the concept of determining the essence of th*e company's financial strategy. The paper states that the financial strategy should be considered in several aspects: as a component of the overall strategy of the enterprise and as an important component that ensures the formation and implementation of each component of the overall strategy.

The need to separate the financial component when creating the general strategy of the enterprise is substantiated. It was determined that the financial strategy can act both as a functional strategy and as a basic one. The theoretical consideration of the financial strategy is based on four main concepts: environment; mission; situational analysis; resource use planning. It was determined that for understanding the essence of financial strategy, its connection and interaction with financial management is significant.

Based on this, it is stated that the financial strategy is a model of the company's goals, actions, capabilities for a strategic perspective, the basis of which is the management of financial resources. In the scientific work, it is noted that the financial strategy is decisive in relation to financial management, since financial management is considered as a system that implements the financial strategy of the enterprise. Considering the concept and content of the financial strategy, it is noted that it is mainly formed by the conditions of the macro- and microenvironment, as well as factors that affect the general strategy of the enterprise.

The financial strategy, as well as the general strategy of the enterprise, is characterized by three main distinguishing features: irreversibility, permanence and long-term consequences. Taking into account the variability of the economic situation and trends in the development of financial markets, the article defines the directions of the formation of programs and projects for the implementation of financial strategy.

Key words: financial strategy, enterprise, management, resources, mission, profit, market environment.

Formulation of the problem. Financial strategy is one of the main tools for managing the company's activities. The enterprise's implementation of any strategic, tactical and operational data is inextricably linked with the financial strategy, since in the system of market relations any economic action is conditioned by a financial component. The importance of revealing the essence of the company's financial strategy is determined by the intensity of changes in external environmental factors.

The high dynamics of the main macroeconomic indicators, the pace of technological progress, frequent fluctuations in the financial and commodity markets, the instability of the state economic policy and forms of regulation of financial activity do not allow effective management of the company's finances based on previously accumulated experience and traditional methods of financial management.

In these conditions, the lack of a financial strategy adapted to possible changes in the factors of the external environment can lead to the fact that financial decisions will lead to contradictions and a decrease in the efficiency of the enterprise's functioning. In addition, since domestic business entities operate in an unstable market environment, accordingly, they are forced to constantly change the directions of production activities taking into account commercial opportunities.

The implementation of such areas requires changes in the production range, the introduction of new technologies, and the development of new product sales markets. Under these conditions, significant growth of the enterprise's investment activity and diversification of the forms of its financial activity should be of a predictable nature, which is provided precisely by the financial strategy.

Analysis of recent research and publications. In the literature, you can find many approaches to defining the essence of financial strategy, and at the moment, modern economic science does not have an unambiguous definition of this category. Some authors tend to consider the financial strategy as a long-term plan of actions of the enterprise, covering the formation of financial resources and their planning. Others consider the financial strategy as a system of long-term goals of the company's financial activities and ways to achieve them.

Most often, you can find scientific approaches that interpret the financial strategy exclusively as part of the general strategy of the development of the enterprise. Taking into account the above, the research topic requires scientific understanding, and accordingly, is relevant.

The purpose of the article. The purpose of this study is to expand the theoretical basis of the concept of modernization of business processes based on the financial strategy of the enterprise.

Presentation of the main research material. «Finances of enterprises require the application of new methods and forms of management. This forces managers to look for and implement new strategic management tools for managing the development of enterprises, which are aimed at ensuring the prosperity of the firm in the future»[1]. In view of this, we believe that the formation of an optimal financial strategy in the enterprise management system is relevant for activity.

The financial strategy at the enterprise must perform a number of functions, including: «rational involvement and effective use of the enterprise's financial resources; identification of future investment avenues; compliance of the financial strategy with the material and economic condition and capabilities of the enterprise; constant analysis of the activity of competing firms, search for methods to achieve a key advantage over them; implementation of strategic alternatives for rapid realization of the set goal» [2].

Some scientists believe that «the place and role of the financial strategy in the strategic choice of enterprises is closely related to the investment strategy, since it is about the achievement of long-term goals and the time factor in the implementation of investment decisions» [3], other scientists interpret the financial strategy: « as an indispensable part of financial management» [4].

In our opinion, the financial strategy of enterprises should be basic and serve as a basis for the implementation of other strategies, namely marketing, R&D, logistics, production, personnel management, etc. According to this statement, the financial strategy of the enterprise is functional, since it is aimed at a rational combination of financial resources with the aim of effective management of the enterprise as a whole (Fig. 1).

The main goal of business modernization involves solving two interrelated problems: first, forming a strategy and implementing new forms and methods of financial management; secondly, the achievement of competitive advantages of small business enterprises in the conditions of the development of the market economy.

It is worth noting that during the formation and implementation of the enterprise's financial strategy, managers must adhere to the following principles: «sequence of implementation of the adopted strategy of sustainable development of the enterprise; use of modern theoretical models of strategic management; the formation of the company's financial strategy should be organically combined with its organizational structure; the financial strategy must be flexible, have alternative options for the development of events in the event of unforeseen circumstances» [5].

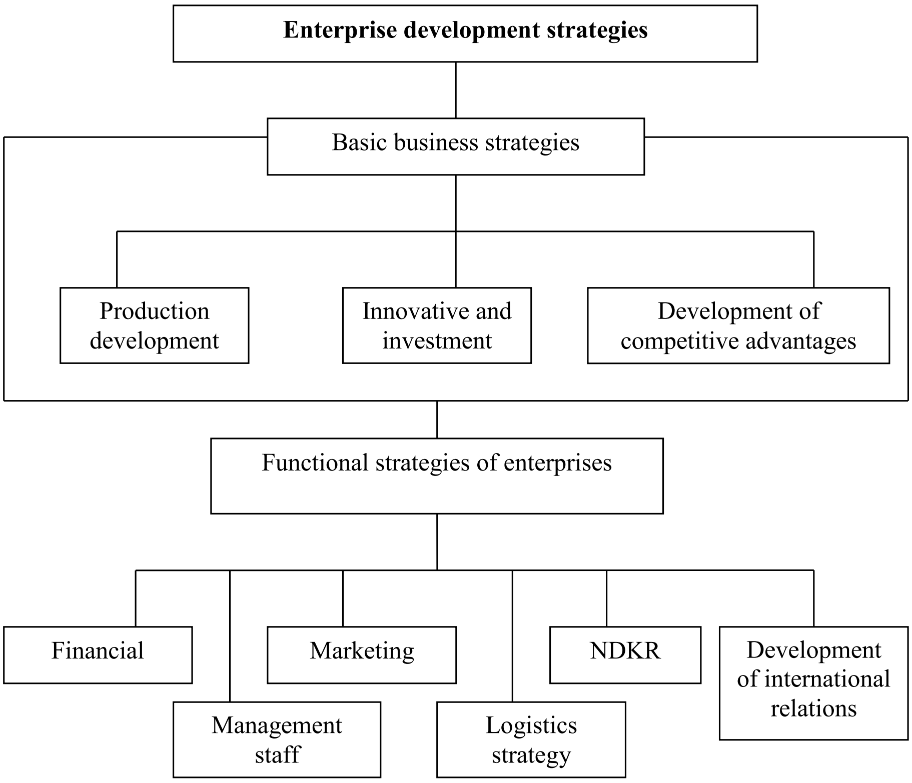

Fig. 1. The place of the financial strategy of the enterprise in the system of the general strategy of the enterprise

The formation of a financial strategy in the company's management system involves financial planning, which is implemented by planning the volume of production of goods, works and services, the cost of products, as well as control over the direction of the company's financial resources. Financial planning creates the necessary prerequisites for increasing the solvency and liquidity of the business. The planning process is directly related to the determination of such indicators as: the volume of production, as well as its implementation, production costs, long-term investment plan» [6].

In view of this, the task of the financial strategy of a small business entity in the direction of the implementation of the financial plan is as follows: the management process must be provided with an appropriate system of indicators and criteria for providing an assessment of the implementation of the financial plan for the implementation of the strategy; determination of separate ways of managing the implementation of the financial plan in certain areas of the enterprise's activity; managers should possess the appropriate methodology that provides an opportunity to timely adjust the parameters of the financial strategy when unforeseen circumstances arise. In fig. 2 depicts the financial strategy of a business enterprise in the financial plan implementation system.

An important issue in the formation of an effective financial strategy of an enterprise is: «taking into account its stage of the life cycle, as well as the financial, investment, production, sales and marketing policy chosen by it. In this regard, the author singles out the following types of financial strategies, depending on the life cycle of the company: expansive, gradual development, protective, stabilization, anti-crisis» [7].

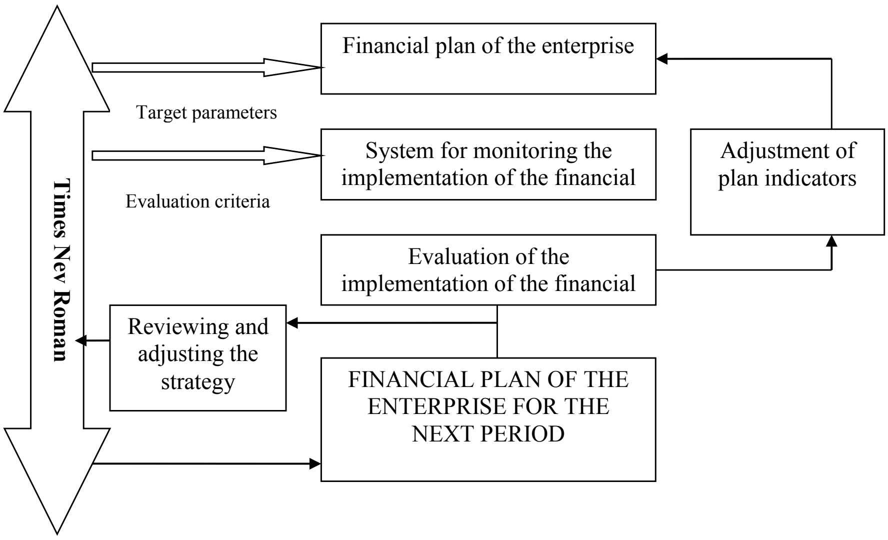

Fig. 2. Financial strategy of the enterprise in the system of execution of the financial plan

The process of building a financial strategy of enterprises consists of the following stages:

1. Systematization and analysis of the state of the external market environment (political and legal factors, economic, social, technical and technological), analysis of competitors, suppliers, consumers, interested parties, etc.
2. Development of strategic goals of the enterprise and possible alternative solutions.
3. Selection of the most acceptable options for implementing the company's financial strategy.
4. Direct formation of the financial strategy of a small business enterprise on the basis of a detailed analysis, taking into account the influence of the factors of the macro- and microenvironment of the company.
5. Implementation of the chosen strategy.
6. Conducting an analysis of the implementation of the selected strategy.
7. In case of detection of deviations, application of corrective strategy measures.

«The formation of the company's financial strategy cannot be carried out without a detailed analysis of information about the company's external environment: suppliers, intermediaries, interested parties, the state, competitors, financial and credit institutions, etc.»[8].

During the analysis of the competitive market environment, managers and financial analysts of the company should use the following tools: assessment of the strengths and weaknesses of business activities, as well as its opportunities and threats based on SWOT analysis, conducting a PEST analysis in order to identify the influence of factors of the external environment of the enterprise, application methods of ABC analysis for the purpose of rational use of resources, application of BCG matrix analysis to determine the market share occupied by competitors.

At the same time, the analysis of factors influencing the company's activity can be carried out using methods of economic and mathematical modeling, statistics, factor analysis, etc. Therefore, the analysis of the factors affecting the macro- and microenvironment of the company will allow to evaluate the developed financial strategy, whether it will lead to the achievement of the strategic goals of the enterprise and what changes should be expected after its implementation. In order to identify the impact of macroenvironmental factors on the company's activities and the formation of its strategy, in the table. 1 conducted a PEST analysis of the enterprise.

Table 1

PEST analysis of SKS Veles LLC

Macroenvironmental factors	**Degree evaluation impact**	**Validity impact**	**Integral influence indicator**
1. Political and legal:			
1.1. Uncoordinated actions of the government	3	0,10	0,3
1.2. Strengthening of international struggle	3	0,14	0,42
1.3. Backlog of economic reforms	4	0,18	0,72
1.4. The instability of the legislation of Ukraine	3	0,13	0,39
1.5. Certification of goods and services	4	0,14	0,56
1.6. Lack of reform of legislative acts that concern business activities	5	0,17	0,85
1.7. Antimonopoly policy	3	0,14	0,42
Political and legal factors together	25	1	3,66
2. Economic:			
2.1. Low production rates	3	0,14	0,42
2.2. Inflation rate	5	0,20	1
2.3. High tax rates for doing business	5	0,23	1,15
2.4. The possibility of making investments	5	0,16	0,8
2.5. The level of development of the tax system and antimonopoly legislation	5	0,27	1,35
Economic factors together	23	1	4,72
3. Socio-demographic:			
3.1. Birth rate	1	0,08	0,08
3.2. Potential workforce	2	0,16	0,32
3.3. Qualification characteristics of the workforce	3	0,25	0,75
3.4. Traditional and cultural values, level of education	1	0,24	0,24
3.5. Attitude towards foreign companies	3	0,27	0,81

Together with socio-demographic factors	11	1	2,2
4. Technical and technological:			
4.1. High level of scientific and technical potential	5	0.5	2,5
4.2. Implementation of the latest technologies in the production activities of enterprises	5	0,5	2,5
Technological factors together	10	1	5
Total macroenvironment	69	-	15,58

Carried out in the table. 1 PEST-analysis makes it possible to draw the following conclusions: the indicator of the political and legal influence of factors on the activity of LLC «SKS Veles» (3.66) is at an average level, the economic (4.72) is at a high level, the socio-demographic (2, 2) - at a low level and technological (5) - at a very high level. Thus, when developing and implementing a financial strategy, an enterprise should pay attention, first of all, to changes that occur in the economic and technological environment, because they have the greatest impact on its activities. In fig. 3 shows a generalized theoretical model of the formation of the company's financial strategy.

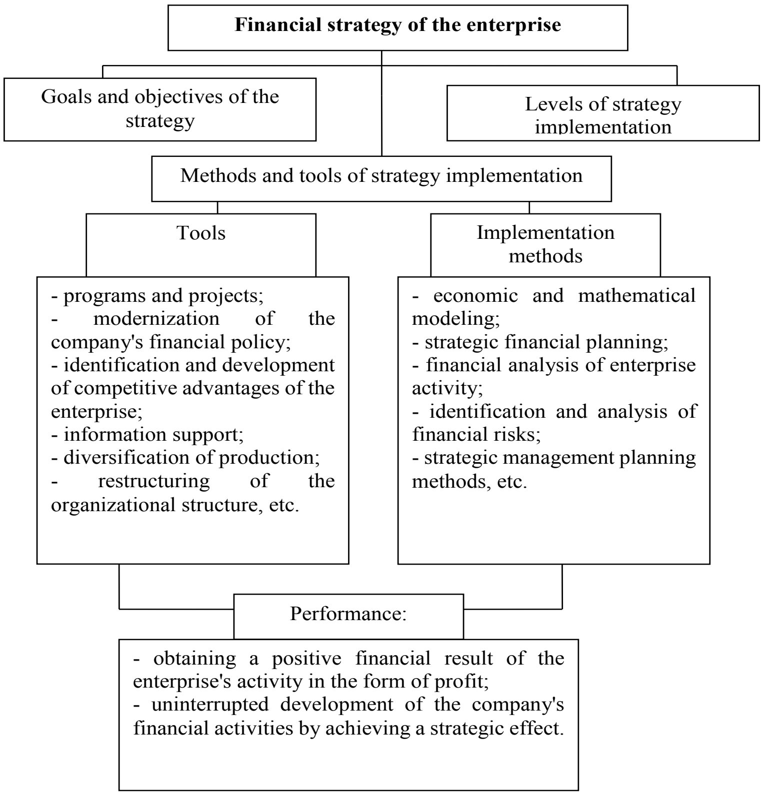

Fig. 3. The theoretical model of the formation of the company's financial strategy.
* Compiled on the basis of [9-14].

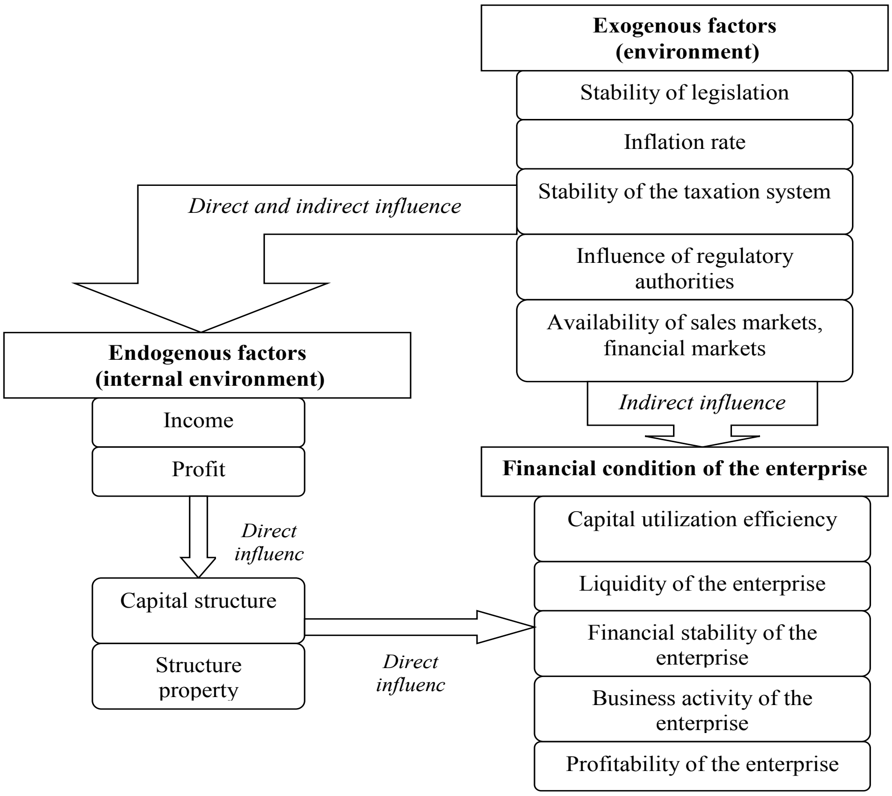

Fig. 4. The mechanism of dependence of the financial state of the enterprise on internal and external factors

In our opinion, the financial strategy model should include such components as: goals, tasks, levels, as well as tools and methods of implementing the strategy (Fig. 3).

Summarizing the above, it should be noted that the application of the model for the formation of the company's financial strategy will help the management of the company to obtain an analysis of operational information about the state of the company's financial resources, on the basis of which effective decisions can be made in the field of financial management of a small business enterprise.

The financial condition of the enterprise is one of the key indicators of the operational efficiency of the business entity. It, first of all, depends on the smooth implementation of finished products, goods, works and services. The financial activity of the enterprise must be aimed at ensuring the constant receipt and effective use of financial resources, maintaining the appropriate level of liquidity and solvency of the company.

The successful production activity of the enterprise is a guarantee of increasing the efficiency of its financial condition, which is achieved due to the implementation of the production plan, reduction of the cost of production, obtaining a net profit while reducing costs, etc.

In fig. 4 depicts the mechanism of the influence of internal and external factors of the enterprise environment on its financial condition, from which it is clear that in the modern conditions of the development of the market economy, the financial position of the firm depends on income and profitability, which, in turn, directly affect the structure of property and capital. Exogenous or external factors have an indirect effect on the financial condition of the enterprise, changing only the quantitative value of its indicators.

It is worth noting that incorrect formation of the company's assets can affect the timeliness of payment of debt to suppliers for received raw materials, compliance with financial and payment discipline, compliance with obligations to the state, employees, banks, insurance companies.

It is worth formulating a number of directions for the formation of programs and projects for the implementation of the financial strategy:

– identification of priority financial markets for the enterprise and target market segments for future work; – analysis and substantiation of stable sources of financing;

- development of a long-term investment program, which is coordinated with the priority areas of development of types of business determined by the general strategy;

– creation of conditions for the future to support progressive growth of the market value of the enterprise;

– formation and improvement in the future of effective financial flows, mechanisms of transfer pricing;

– formation from the strategic point of view of the program of effective centralized financial management in combination with justified decentralization of other management functions within the enterprise;

- forecast calculations of financial indicators during strategic planning of the business entity.

For the effective use and optimal combination of financial resources at enterprises, it is necessary to systematically carry out a comprehensive financial analysis of their activities, analyze indicators in dynamics, find the necessary resources for increasing the capital base of the company. The evaluation of the efficiency of the financial activity of the enterprise is carried out on the basis of the calculation of such indicators as: liquidity, financial stability (solvency of the enterprise), business activity and profitability.

Based on the conclusions of the comprehensive assessment of the enterprise's activity, which was carried out with the help of financial analysis, a basis is created for further ways of development of the company of a short-term and long-term nature. In fig. 5 presents information support for financial analysis of enterprises.

Analysis of financial ratios is one of the most common types of analysis of enterprise activity. The calculated and analyzed coefficients serve as a basis for potential investors and business analysts, because they are easy to calculate using the company's financial statements. It is worth noting that the financial reporting of enterprises has its own peculiarities of drafting.

Conclusions. The main goal of the modernization of the enterprise involves the solution of two interrelated problems: first, the formation of a strategy and the introduction of new forms and methods of financial management; secondly, the achievement of competitive advantages of enterprises in the conditions of the development of the market economy.

It was established that the rational use of the company's financial resources is impossible without the use of modern methods and tools of strategic management. In view of this, the formation of an effective financial strategy in the enterprise management system is relevant for the enterprise.

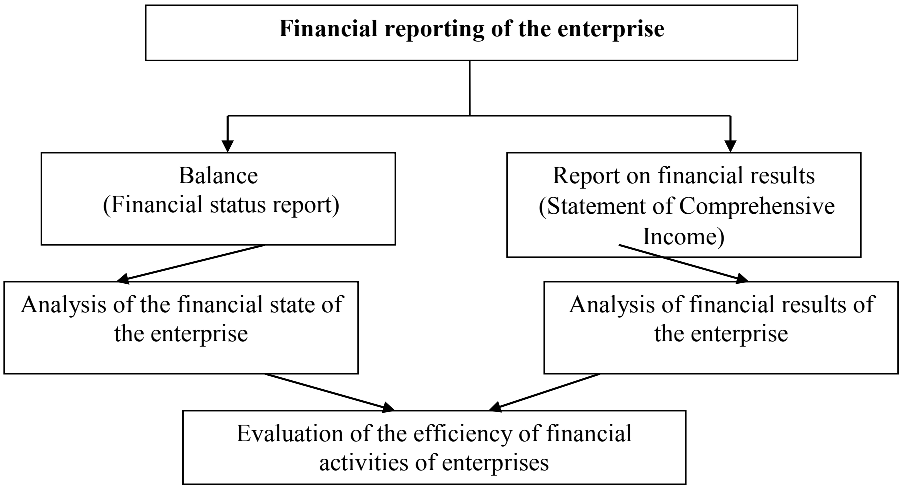

Fig. 5. Information provision of financial analysis of enterprises

It has been proven that the financial strategy of enterprises should be basic and serve as a basis for the implementation of other strategies, namely marketing, R&D, logistics, production, personnel management, etc.

With the help of the PEST analysis of the enterprise, it is substantiated that when developing and implementing a financial strategy, the enterprise should pay attention, first of all, to changes that occur in the economic and technological environment, because they have the greatest impact on its activities.

A theoretical model of the formation of the company's financial strategy is proposed, which includes such components as: goals, tasks, levels, as well as tools and methods of strategy implementation. The practical significance of the model lies in the fact that it will help the management of the enterprise to obtain an analysis of operational information about the state of the firm's financial resources, on the basis of which effective decisions can be made in the field of enterprise financial management.

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