

Chapter 5

FORMATION OF INNOVATIVE MECHANISMS FOR AGRICULTURAL DEVELOPMENT

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**FORMING AN
INNOVATIVE
STRATEGY FOR
THE
DEVELOPMENT OF
AGRANOMIC
COMPANIES**

The first stage of an effective development of agricultural companies is a formed system of strategic management, because this strategy shows the direction of the development, which was chosen by the company to achieve priority tasks.

The formation of a portfolio of strategic alternatives and the choice of the strategy for the development of an agricultural enterprise makes it possible to determine the direction of the enterprise's behavior in the market, taking into account the conditions of the environment and the probable nature of their change; assess competitiveness and strategic competitive advantages of the enterprise; Identify the resources that must be involved in achieving the goals and ensure their most effective use [3].

The formation of a portfolio with strategic alternatives is based on the choice of the basic strategy of the company, which in turn, begins with the choice of a model of its behavior in accordance with the position in the market and the type of development – protective or offensive. Formalization of the choice of a behavior model can be made by estimating the external potential of the company: the high potential corresponds to an offensive model, and the low one is protective [5].

The protective behavior model of the company is reduced to the

implementation of conservation measures to reduce all costs associated with production and sales, the maintenance of fixed assets and personnel, which leads to a reduction in production in general. The direction, although it seems attractive, because it leads to a reduction in losses and costs, is not effective for all companies and is disadvantageous for the economy of the country. Better from a position of further development is an offensive model of behavior, in which, along with the reduction of losses and costs, active marketing, implementation of promising technologies, renewal of fixed assets, the conquest of new markets, change in management, improvement of management system is carried out.

Effective implementation of the agricultural company development strategy requires, first and foremost, a justification of the need for resources and the level of their use, identifying unused resource potential, optimizing the resources of the enterprise and sources of their formation; assessment of the risks of additional resource attraction. Determining the resource potential of the company is a necessary component and prerequisite for implementing the strategy (strategic alternatives) for its development.

Implementation of the strategy as the next stage of management is a critical process, since it is the successful implementation of this strategy that leads the company to achieve its goals. The strategy is implemented through the development of programs, budgets and procedures that can be considered as mid-term and short-term plans for implementing the strategy. We believe that the main conditions for successful implementation of the agricultural company development strategy are:

- Goals, strategies and plans are brought to the employees so that they, on their part, will gain an understanding of what the organization seeks to achieve, and to engage them in the process of implementing the strategy;
- The management timely ensures to receive all necessary resources for implementation of the strategy, and forms a plan for implementing the strategy in the form of target facilities;
- In the process of implementing the strategy, each level of management solves its tasks and performs the functions assigned to it.

The choice of strategies is dominant in the management system. Clarification of the goals of development – as Timo Santalainen says – gives management the opportunity to assess, and if necessary, to clarify the strategic outlook positions of the organization [7]. Such positions, in his opinion, can be the current level of tasks, the validity of commercial

ideas, intermediate goals and the order of their importance, as well as the nature of the strategy. In addition, the process of strategy development of agricultural enterprises causing significant impact on natural biological processes and the type of development in which agricultural company is at any given time.

The formation of a strategy can be done by senior management with the help of formal planning methods: based on empirical models and concepts. Accordingly, G. Mintzberg describes three main models of strategy development [4]:

- planned – the strategy is developed, performed and evaluated in the planned mode with the involvement of a specialist staff of highly skilled specialists who, through various models and methods, determine the possible results and find the most effective way to achieve the goals;

- "entrepreneurial" – more informal methods of constructing strategies based on the personal experience of the entrepreneur leader, his knowledge on the logic of the industry's operation are used; these factors are used to form the "vision" of a future business, which is then taken into account in plans, projects and programs;

- "learning by experience" – used in conditions of an unstable environment. The main thing is taking into account external impulses and the possibility of reviewing the established strategies, in which the process of developing and correcting strategies may be somewhat spontaneous, poorly controlled; an important role is played by the manager – the entrepreneur.

Since in the process of strategy formation, the position and vision of the development prospects of senior management is of particular importance, A. Thompson and A. Strickland distinguish four main approaches to the development of strategic decisions, depending on the participation of management and executives [8]:

1. The one-person approach. In this case, the leader is the main strategist who has a decisive voice in analyzing, developing alternatives, and defining key strategies. This does not mean that he works alone, but the manager is the last resort in making strategic decisions. This approach is inherent to agricultural companies with a low level of management potential, since it does not allow the full use of the staff proposals.

2. Approach based on delegation. The head delegates almost all work to subordinates, most often - a special plan or other units. The leader reduces the process of defining a strategy to work "one from among others", no more important than planning ongoing work. The result may

be writing plans that nobody will ever perform. Through meetings with the planned units, the head falls into the trap of "artist-job" because only with their participation can form effective strategic plan.

3. An approach based on co-operation. This is an intermediate approach when, together with the planned units, the manager uses the help of future key executives. On this basis, you can formulate a strategy balanced in terms of content, terms, as well as the interaction of performers.

4. An approach based on competition. The content of this approach is to encourage subordinates to participate in the development of a strategy, to fight for primacy in putting forward ideas, finding the most effective ways to achieve their goals. The formation of strategies takes place with the help of future performers, and in such an environment quite often innovative ideas are generated, which in the future can be easily realized, since the workers made the initiatives.

In a generalized form, the process of forming a strategic plan represents a certain point in the intersection between the identified opportunities and threats of the external environment, expressed in the form of key factors of success, as well as the strengths and weaknesses of the resource potential of the company, which in turn is expressed by its abilities to develop. There is no doubt that the opportunities of the environment depend on the use of the strengths of the resource potential. In addition, there are threats to the environment, and the weaknesses of the resource potential of the company are minimized. The formation of a strategy, its evaluation and the choice of the best option are influenced by the values of senior management, as well as ethical norms of society, expressed in the form of social responsibility.

The methodological principles of a model for forming a strategy for the development of an agricultural company are:

1. The formation of a strategy should be a controlled, conscious process of thinking. This means that the strategy does not appear intuitively, and not as a result of sudden detection from the "problem stream", but is the product of a carefully controlled reflection process. K. Andrews notes that strategic thinking should be based not on intuitive, but on conscious experience, calling at the same time suddenly emerging strategies as "opportunism" and "conceptual enemy of strategy" [7].

2. The responsibility for the process of forming a strategy should be assigned to the top manager of the organization. The executive director is a sort of "architect" for the strategy, identifying who will be

specifically involved in the strategic planning process.

3. The model for forming a strategic plan should be simple enough and informative.

4. Strategies should be unique, that is, unified of their kind, and is the result of the process of creative design. In other words, the strategies must reflect the essential (conceptual), which distinguishes the particular enterprise from its development, rather than being built on a standard template.

5. Strategy as a result of the strategic planning process should be completed. The process of forming a strategy is the final product, when all alternative variants are fully analyzed and evaluated, and the choice of the best one is made.

6. The strategy should be simple, concise and expressed in an accessible form, should facilitate the activity of the company and, therefore, enables its understanding and perception by the employees of the company.

7. If the strategy is unique, fully developed and clearly articulated, then it is implemented. Thus, all elements of the organizational structure of the company must possess the necessary knowledge and resources and the desire to implement the chosen strategy in life.

The choice of development strategies by agricultural companies depends on the development of situations of a promising, current and operational character. Common in their implementation is a systematic and integrated approach to the formation of appropriate mechanisms. Since the development strategies of enterprises require rapid changes in the subsystems of the business structures, the final result can be achieved provided a balanced approach to changes in the biological, technical, technological, personnel, organizational, economic and other organizational organization potential. This is an objective necessity, since the changes may be of a different nature [7].

Moreover, the strategy of development of each agricultural company determines its production and technical potential, that is, the ability to stable production activities within the chosen strategy in a complex and changing environment [2]. Production-technical potential determines the development of all elements of the company as a socio-economic system. In the process of analyzing the internal environment of a company it is necessary to find out which of its elements can contribute to the implementation of the development strategy, and which are the weak links (table 5.1). Regarding the external environment, it is advisable to find the opportunities that it provides.

Table 5.1

Factors of the internal and external environment for the formation of a strategy for the development of agrarian companies

Group of factors of the internal environment	Group of factors of the environment
1. Factors in the strategy of developing the mission of the enterprise	1. Political factors
2. Factors of the company's development strategy to the external environment	2. Social factors
3. Factors in the strategy of developing of the enterprise's internal potential	3. Environmental factors
4. Factors in internal balancing of parameters in the strategy of enterprise development	4. Organizational and economic factors
5. Factors in the implementation of the enterprise's development strategy	5. Information factors
6. Factors of economic efficiency in implementation of the enterprise's development strategy	6. Institutional factors
7. Factors of social, environmental efficiency in implementation of the enterprise's development strategy	

Source: author's development

Innovative strategy, as most adequate to the requirements of the present, reflects the content and main directions of the process of innovative development of the agrarian enterprise. An analysis of modern innovation issues makes it possible to distinguish the following main types of innovations in agricultural enterprises (fig. 5.1).

The specific type of innovations in the agricultural sector is due to its features. First, it is the involvement in the production process of natural resources, orienting innovation to ensure and preserve ecological safety, the rational use of natural potential. Secondly, the innovation process in the agricultural sector is differentiated into economic, organizational, technological, technical, etc., which are united by a single element - creation of new biological species. Thirdly, on the basis of the fact that agricultural products as an element of human life expectancy have a significant impact on health and the viability of the latter, innovation in the agricultural sector should ensure the priority of improving the quality of agricultural products, its safety and the preservation of natural properties.

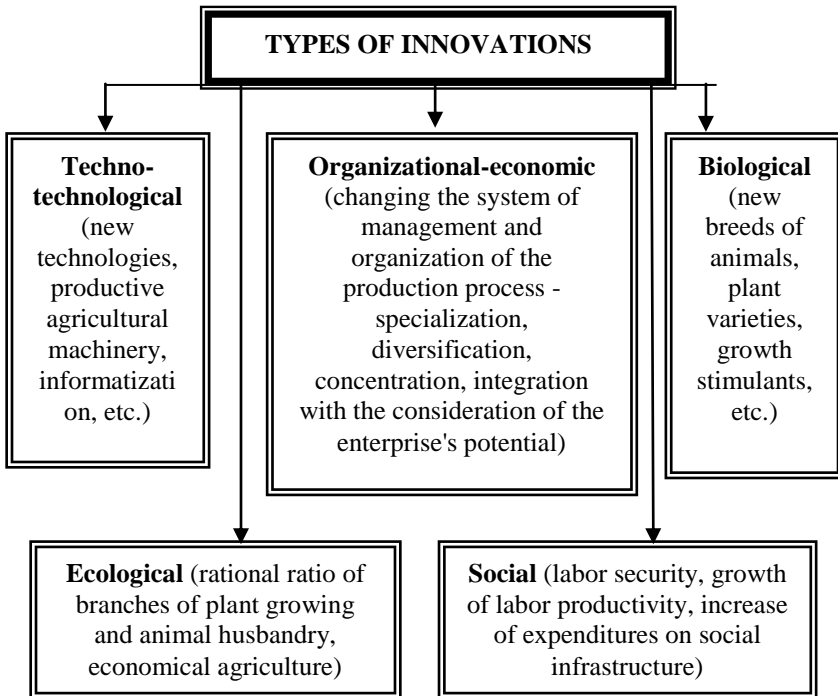


Figure 5.1. Types of innovations implemented at agrarian enterprises

Source: built according to [1]

The position of the authors is based on the inherent innovations of the characteristics in the coverage of a number of heterogeneous objects, phenomena, processes, and therefore, an innovation can be considered a process, change, object, result or system that corresponds to the features:

- provide competitive advantages to the social and economic system;
- ensure achievement of the goals of the socio-economic system and its stability;
- applied in practice;
- are confirmed by the objects of intellectual property;
- have a commercial return;
- are derived from the process of generating ideas and fundamental and applied research [6].

Some authors identify the concept of agronomy as an innovation that belongs directly (or indirectly, within the technological chain) to those

processes involving people, machines (equipment, tools, etc.), and the environment component (animal, plant, etc.), the existence of which in the natural environment (without human involvement) is impossible or possible only if the basic functional characteristics are lost [6]. Yankovskaya O.I. defines the essence of agronomy as "... the final result of the introduction of innovations in the field of agriculture (a variety of plants, animal breeds, plant protection products or animals, cultivation technologies, etc.), which led to economic, social, environmental and other types of effect" [9].

The sequence of formation of an innovative strategy of agrarian enterprises is proposed to be carried out according to the scheme shown in fig. 5.2.

The development of a strategy for development of an agricultural enterprise of a certain type should be carried out in stages from the higher to the lower level, taking into account the peculiarities of the internal and external environment of the business entity, its resource, financial and intellectual capabilities, the development of management capacity, especially in terms of readiness for risk, perspectives of thinking and attitude of the team before changes.

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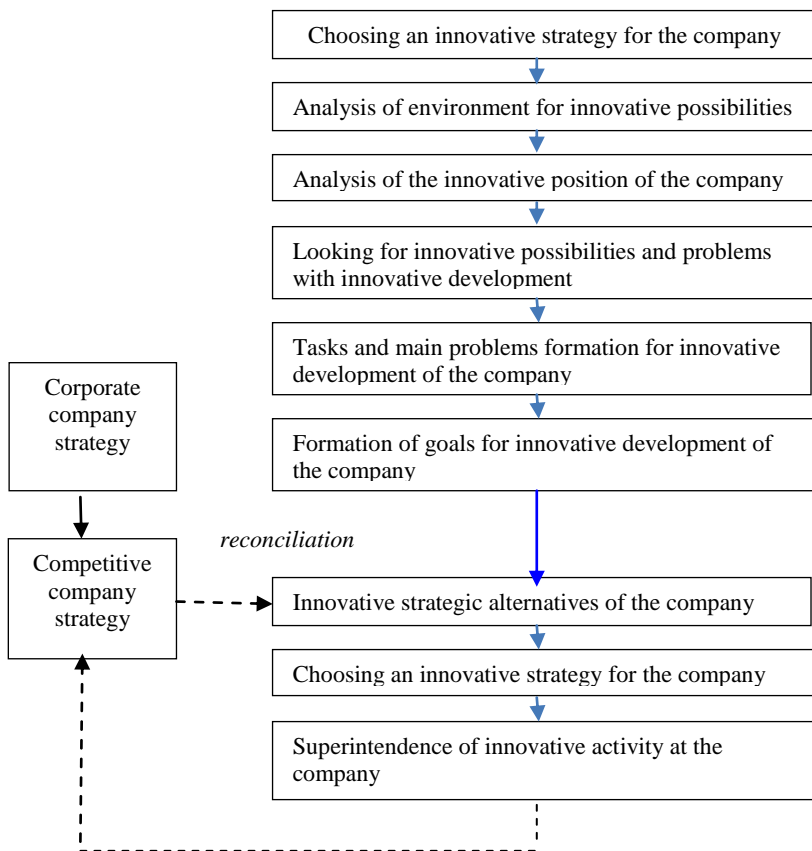


Figure 5.2. Scheme of formation of an innovative strategy for agricultural enterprises

Source: author's development

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