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## THE DEVELOPMENT STRATEGY FORMULATION FOR THE AGRICULTURAL ENTERPRISES

**Abstract:** The modern business environment is characterized by high dynamism and variability of socio-economic processes. Under such conditions, for the purpose of survival, successful operation and further development, agricultural enterprises are forced to react in a timely manner to existing changes, and to be able to adapt effectively to the new conditions of the external and internal environment. In its turn, in order to respond to the changes as effectively as possible, each company must have a developed strategy for its development, which ultimately ensures the effective achievement of the objectives and the outlined mission. This means that the strategic planning is one of the indispensable tools for the existence of enterprises in the present conditions.

Each agrarian enterprise must formulate its development strategy and then move on to a predetermined visionary vector. However, modern approaches to the development of long-term development of domestic agricultural enterprises are imperfect, which led to the choice of this topic of the research.

**Keywords:** strategy, development, agricultural enterprise, rating, evaluation.

**JEL Classification:** A11, D23, M10.

**Introduction.** In the global market conditions, new principles of management of agrarian business are emerging. As a result, managers of agricultural enterprises are responsible for the final results of activities and the quantitative indicators that arise during it. That is why they should use a strategic vision of new ways of enterprise development, ensuring sustainable economic growth in the long run and keeping high-performance positions for a long period of time.

**The purpose of the article** is to state business strategies for the development of agricultural enterprises basing on the index of activities effectiveness analysis using the rating assessment.

**Research results.** It is commonly known that the ultimate mission of any agricultural enterprise, like any other, is to generate profits. Ideally, this is achieved by providing the consumer market with quality food

products at a competitive and affordable price. The weak financial condition and the lack of the enterprise development plan makes this goal difficult or impossible to achieve [1, p. 285].

According to V. V. Halanets: “The purpose of any forecast is to identify processes and predict future developments. The forecasted future allows us to prepare for both positive and negative trends, maximize profits (results) and minimize losses. Complication and formalization of the process of strategic planning are not reasonable as they may affect its attractiveness and accessibility” [2, p. 260]. We fully agree with the opinion of the scientist, because it is an effectively formed and implemented strategy that leads to the success of the company among others in the market.

That is, the organized strategy of development provides significant advantages over competitors. Analyzing the existing and projected indicators of the internal and external environment, farmers evaluate their competitive advantages and possible shortcomings, as well as sources of their occurrence. Basing on the results of the received indicators, they form an effective mechanism for further development, which is the driving force of survival and long-term success of agricultural enterprises.

In order to better understand the need to form the strategy for the successful operation of the enterprise, we evaluated the state of development of large and medium-sized agricultural enterprises in Western Ukraine (Table 1). In particular, to work out successful business strategies of agrarian enterprises, it is necessary to analyze the level of efficiency of their economic activity. The following financial indicators were calculated for carrying out the assessment:

- 1) proceeds from the sale of agricultural products per 1 hectare of agricultural land;
- 2) proceeds from the sale of agricultural products per 1 employee;
- 3) the average monthly salary of an agricultural enterprise employee;
- 4) indicator of profitability (loss) of activity of agricultural enterprises.

The analysis of the selected financial indicators shows that during the years 2011-2014 the agricultural enterprises in Ivano-Frankivsk, Lviv and Khmelnytsky regions most efficiently carried out their activity. They have high performance in comparison with other areas of Western Ukraine.

Among the methods of scientific approach to the real assessment of the activities of both agricultural enterprises and regions, in today's conditions, one can distinguish their rating evaluation. Such an assessment of the economic situation of enterprises is based on the consideration of the main parameters of production and financial activity. The rating is based not on subjective assessments of experts, but on actual indicators that have been achieved by different regions in the field of agrarian production [7].

**Table 1. Indicators of the efficiency of agricultural enterprises in terms of regions of Western Ukraine (average for 2011-2014)**

Region	Proceeds from sales of agricultural products per 1 ha of agricultural land. ths. UAH	Proceeds from sales of agricultural products per employee. ths. UAH.	Average monthly salary of an agricultural worker. UAH.	Level of profitability (loss).%
Vinnitsia	7086.7	222.5	1674.7	17.5
Volyn	6916.5	177.8	1405.6	18.6
Zakarpattia	7150.5	120.9	1164.2	4.4
Ivano-Frankivsk	14922.4	560.0	1892.1	37.2
Lviv	12226.6	549.0	1936.0	24.1
Rivne	7856.7	280.5	1293.5	13.6
Ternopil	8862.9	390.0	1673.7	18.0
Khmelnyskyi	7643.2	350.1	1781.0	27.4
Chernivtsi	10331.7	268.1	1425.8	12.3

Source: State Statistics Service of Ukraine and own calculations by the author

At the next stage of the analysis of agricultural development in the western regions, we conducted a rating assessment of the above mentioned indicators of the efficiency of economic activity (Table 2).

The rating evaluation of agricultural activity of large and medium-sized enterprises in the Western region was carried out as follows:

1) the relative indices are calculated by dividing each individual indicator of the efficiency of a certain region into the highest in the Western region;

2) the average score for the relative indices for each region is calculated, by dividing the sum of the indices into their number;

3) the rating of each region of Western Ukraine is determined by ranking the obtained average scores.

Comparing the rating assessment of agricultural activity efficiency indicators in the western regions of Ukraine, we formulated the following strategies for their development:

1) growth strategy for enterprises in Ivano-Frankivsk and Lviv regions. It involves expanding the boundaries of market activity, improving the quality of products, introducing the latest technologies;

2) strategy of support (stabilization) for the enterprises of Ternopil, Khmelnytskyi, Chernivtsi, Vinnitsia and Rivne regions. To implement this strategy, enterprises need to increase the level of profitability, support existing activities, as well as modify the products;

3) survival strategy for enterprises in the Zakarpattia and Volyn regions. It involves reducing costs, restructuring and reorientation of the enterprise. This type of strategy is the most difficult to implement among all the others.

**Table 2. Rated evaluation of agricultural activity efficiency indicators of the Western regions of Ukraine for 2011-2014**

Region	Average relative indices for 2011	Average relative indices for 2012	Average relative indices for 2013	Average relative indices for 2014	Average relative indices for 2011-2014	Rating of the region for 2011-2014
Vinnitsia	0.6498	0.5072	0.4950	0.4820	0.5335	6
Volyn	0.5044	0.4728	0.4637	0.4703	0.4778	7
Zakarpattia	0.2892	0.3554	0.3768	0.3282	0.3374	9
Ivano-Frankivsk	0.9983	1.0000	0.9107	0.8995	0.9521	1
Lviv	0.8019	0.5732	0.9481	0.9029	0.8065	2
Rivne	0.4550	0.4612	0.4106	0.5813	0.4770	8
Ternopil	0.8338	0.6310	0.5380	0.5769	0.6449	4
Khmelnyskyi	0.6743	0.6444	0.6314	0.6829	0.6583	3
Chernivtsi	0.6430	0.5222	0.4443	0.5522	0.5404	5

Source: Own calculations by the author

In order to more clearly reflect the dynamics of agricultural development in the Western regions during 2011-2014, we integrated the results obtained in table 2 into the diagram (Fig. 1).

Figure 1 shows that the undisputed leader in the development of agriculture in the Western region is the Ivano-Frankivsk region. In the activity of Lviv region during 2011-2012 there is a sharp fall in financial performance indicators, but during 2012-2013 - the same sharp growth. Khmelnytskyi region significantly outstripped Ternopil, whose agrarian efficiency began to decline since 2011. The worst indicator of development of agriculture during the analyzed period is observed in the Zakarpattia region.

Analyzing the diagram, three groups of results can be distinguished:

1) the results of improving the efficiency of agrarian business in the region for the analyzed period (Lviv and Rivne regions);

2) the results of the deterioration of the development of agriculture in the region for the analyzed period (Vinnitsa, Ivano-Frankivsk, Ternopil, Chernivtsi regions);

3) the results of a relatively stable state of agricultural development

and reflect only slight fluctuations in activity (Volyn, Zakarpattia and Khmelnytskyi regions).

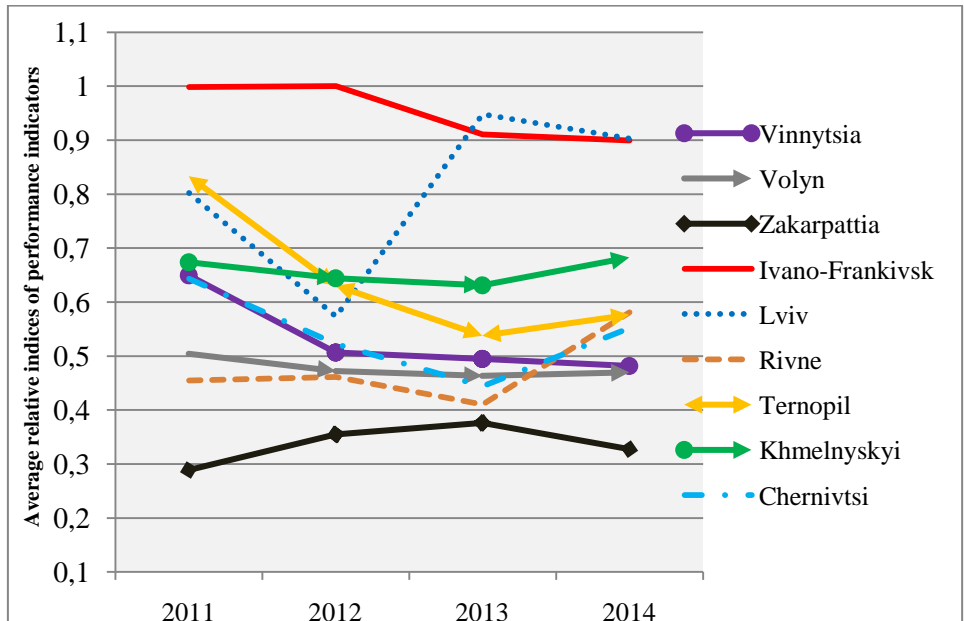


Figure 1. Dynamics of rating assessments of agricultural development of the Western regions during 2011-2014

Source: Own calculations by the author

However, it should also be noted that there is a slight reduction in the number of large and medium-sized agricultural enterprises in Western Ukraine (Fig. 2). According to O. P. Hohulia: “In Ukraine, there emerged a need for a new system of socio-economic relations in the village, which would solve the problems of reducing the number of agricultural enterprises as legal entities; loss of the place of work for most rural residents; non-receipt of taxes and other payments to local budgets from local enterprises that have ceased to exist; the lack of funding for the creation and support of rural infrastructure, which was carried out by agricultural enterprises (roads, kindergartens and schools, cultural buildings, paramedic and obstetric stations, etc.).

Real and hidden unemployment leads to a depreciation of human capital and deterioration of its qualitative characteristics, generates the general migration of the population and further deformation of its sex-age structure, increases the rural depopulation” [8].

Experts from the Association of Milk Producers (AMP), Ukrainian Agrarian Council and Ukrainian Food Export Board (UFEB) identified the following ways to overcome the crisis for Ukrainian agraribusiness:

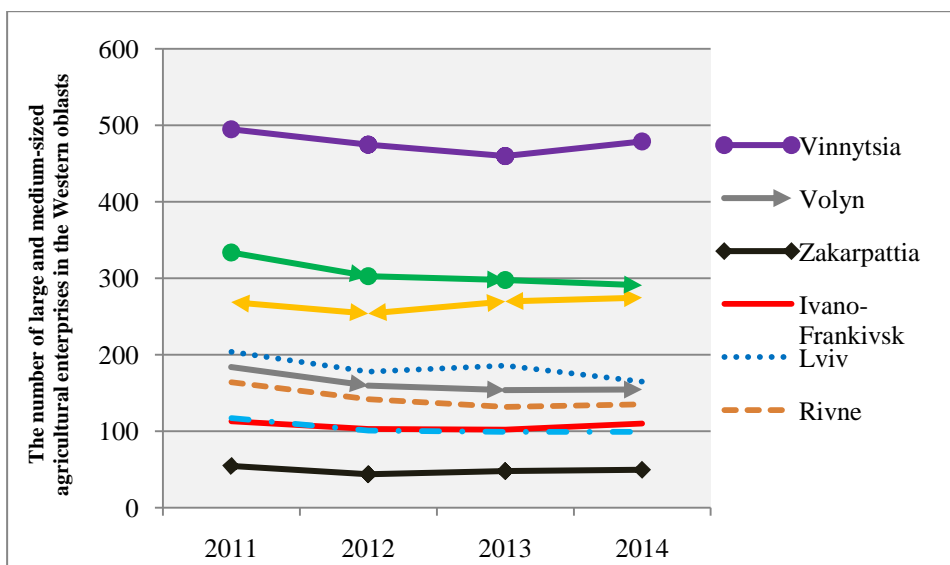


Figure 2. **The number of large and medium-sized agricultural enterprises in the Western regions during 2011-2014**

Source: State Statistics Service of Ukraine

1) Cooperation. So, for example, in mid-September 2016, the project of AMP "Wholesale purchases of milk" started. Now small enterprises - members of the AMP, are united in a bullet and directly go to processing enterprises. This will enable farmers to sell raw materials at a more favorable price, regardless of the amount at the expense of a large total volume. Worldwide experience shows the effectiveness of cooperatives: among the ten largest milk processors in the world, six are cooperatives, including the New Zealand Milk Giant "Fonterra" and the American "Dairy Farmers of America";

2) Access to new markets. Due to the loss in 2014 of the Russian market and in order to reorient to new markets, it is necessary to introduce the latest technologies, to develop new export links and to find new directions for export. In addition, Ukrainian agrarians should pay much attention to improving product quality;

3) Export of finished products. The need to develop a processing industry for the production and export of high added value products is one of the main challenges faced by Ukraine today. In agriculture, finished products are 3-5 times more expensive than raw materials. According to UFEB, at the end of 2017, the share of finished goods in the total export volume will be almost unchanged and amount to 17% -17.5%;

4) The priority of medium-sized businesses. The most effective farmers in Ukraine are average farms. In medium-sized farms there are no problems with management that arise from agroholdings, because the best

manager is the owner. It should be noted that there may be problems with the implementation of products, but they can be successfully solved by means of co-operation [9].

### Conclusions

In modern conditions, for managers of agricultural enterprises, an important task is to create a qualitative development strategy on the path to successful functioning. In this aspect, there are three business strategies: the strategy for further development, the strategy of support (stabilization) and the strategy of survival. However, unfortunately, in Ukrainian agrarians there is an intuitive approach to the formation of the strategy. An even more negative phenomenon is the lack of strategic vision of the enterprises and the use of exclusively short-term planning. As practice shows, all this leads to a decrease in the performance indicators, and ultimately the reduction in the number of agricultural enterprises.

The development of business strategies for agribusinesses is based on the analysis of important financial indicators of their economic activity. To this end, a rating assessment of the agricultural performance of the Western region of Ukraine was proposed and an analysis of the results was carried out.

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