

---

## Development of Methodological Approach to Enterprise's Financial Strategy Based on Comprehensive Evaluation of Its Strategic Potential

---

N.N. Kosinova<sup>1</sup>, M.S. Tolstel<sup>2</sup>, S.P. Sazonov<sup>3</sup>, K.D. Vaysbeyn<sup>4</sup>

**Abstract:**

*The article presents research results of theoretical and methodological basis of financial strategy formation and mechanisms for implementation of Russian industrial enterprises to ensure their strategic development. The necessity of developing the industrial enterprise's financial strategy based on comprehensive evaluation of its strategic potential. The authors propose a methodological approach to developing a financial strategy based on the analysis of the enterprise's strategic potential by calculating the integrated index (SPt), which allows not only to analyze and evaluate the influence of factors internal and external environment, financial position and internal capacity of the enterprise, its strategic capabilities and competitiveness, but also to determine the best type of financial strategy. The results of the analysis showed that depending on the value of this indicator identifies five basic levels of strategic potential development (absolute, high, stable, unstable and critical levels) and the most appropriate types of financial strategies: aggressive or accelerated growth, moderate growth, conservative or defensive, crisis or financial stabilization strategy, survival or elimination. Under the proposed methodological approach, the method of comprehensive evaluation of the industrial enterprise's strategic potential, outlining the priority areas for the implementation of the financial strategy.*

**Key Words:** *financial strategy, industrial enterprises, strategic potential, SPACE analysis, integrated indicator.*

---

<sup>1</sup> Doctor of Economic Sciences, Professor, nnn\_05@mail.ru, Volgograd State University, Volgograd, Russia

<sup>2</sup> PhD in Economic Sciences, Associate Professor, [marina-tolstel@yandex.ru](mailto:marina-tolstel@yandex.ru), Volgograd State University, Volgograd, Russia

<sup>3</sup> Doctor of Economic Sciences, Professor, [sazonovsp@mail.ru](mailto:sazonovsp@mail.ru), Volgograd State Technical University, Volgograd, Russia

<sup>4</sup> Post-graduate student, [vajsbejn90@mail.ru](mailto:vajsbejn90@mail.ru), Volgograd State Technical University, Volgograd, Russia

## **1. Introduction**

In modern conditions of the market economy for domestic industrial enterprises there is a problem of finding flexible and efficient rapid ways to respond for constant changes in the environment, on the one hand, and improve the financial - economic activity, as well as the formation of long-term competition policy - on the other. Currently, the Russian economy is determined by:

- complexity and instability of the environment;
- globalization, which has aimed to integrate of domestic corporations in the world economic system;
- need to increase the rate of development and innovation, aimed at meeting the interests of consumers.

These factors lead to the necessity of creating and implementing a financial strategy focused on creating competitive advantage, enabling the company to conquer the leadership in the domestic and world markets, to increase the cost of business, to strengthen the financial position and meet the interests of stakeholders.

Improving the efficiency of industrial enterprises will contribute to the formation of financial strategy, the ability to adequately adapt to the changing situation in the economy and to promote the rational use of available human, material and financial resources.

Therefore, for financial science becomes an important method of integrated assessment of the industrial enterprise's strategic potential, which defines priorities for the implementation of the financial strategy.

## **2. Methods and Materials**

### **2.1. Main approaches to the definition of the enterprise's financial strategy**

Determining the nature of the industrial enterprise's financial strategy, factors and mechanisms for its development and implementation currently has both theoretical and practical interest. Problems of effective formation and realization of the enterprise's financial strategy devoted a considerable amount of different sources of economic literature, while generally considered some aspects of its design and implementation or methodological apparatus, which is not enough exhaustively describes the essence of the studied categories.

The place and role of financial strategy development which is estimated in the economic literature has been characterized as ambiguous.

Theoretical analysis of the various economic literature sources is allowed to identify the following approaches to the definition and scope of the industrial enterprise's financial strategy (Table 1).

The most cited definition of an enterprise's financial strategy has seen as an important part of the development strategy, along with other types of functional strategies. In particular, Goritskaya N.G. (2005) considers the financial part of the overall strategy of economic development strategies, consistent with the goals and directions of the latter. Ilysheva N.N. and Krylov S.I. (2004), Thalassinos *et al.*, (2014) and Thalassinos and Liapis (2013) discuss the financial strategy as part of the overall concept focused on the competitive environment.

Many authors emphasize in their definition of the relationship with the corporate financial strategy, as in the present conditions of market relations, it is the basis for sustainable development of the enterprise.

**Table 1.** The main approaches to the definition of the enterprise's financial strategy

Approach	Authors - the supporters of the Approach	Definition
1	2	3
Methodical Approach	Blank I.A.	Financial strategy represents one of the most important types of company's functional strategy, which provides all the basic directions of financial activities and financial relations development through the formation of long-term financial goals, choosing the most effective ways of achieving them, adequate adjustment directions of formation and use of financial resources in the changing environmental conditions. (Blank I.A. (2007))
Functional Approach	Davydova L.V., Sokolova N.N.	Financial strategy represents one of the most important types of company's functional strategy, which provides all the basic directions of its activities and promoting the implementation of the main strategic goal - maximizing the welfare of the owners. (Davydova L.V., Sokolova N.N. (2007))
	Votchaeva A.A.	The financial strategy is a set of measures and long-term plans in the field of financial activities and financial relations to ensure profitability, financial stability and maximizing the value of the company, through the effective and efficient use of financial resources and capital structure through financial methods, techniques and leverage. (Votchaeva A.A. (2012))
Process Approach	Meskon M., Albert M., Hedouri F.	Financial strategy - a way to determine the economic and non-economic benefits that the organization intends to provide primary interest groups. (Meskon M., Albert M., Hedouri F. (1995))
	Igonina L.L.,	Financial strategy is a system of priorities and actions to achieve them in the form of financial resources, optimize their structure

	Skachkov a N.E.	and efficient use, corresponding to the general concept of company's development and ensuring its implementation. (Igonina L.L., Skachkova N.E. (2004))
	Chandler A.D.	Financial strategy - a method of establishing organization's long-term goals, its program of action and priority areas for the formation and allocation of financial resources. (A. Petrov (2005))
	Vikhansky O.S.	Financial strategy - a general course of action the organization, following which in the long term should lead it to the goal. (Vikhansky O.S. (2013))
System Approach	Ovodkov D.A., Gavrilov V.V.	Financial strategy – a system of company's priority objectives formation and realization through the effective recruitment and use of financial resources, coordination of their streams, ensuring the necessary level of security, based on continuous account of factors external and internal environment. (Ovodkov D.A., Gavrilov V.V. (2008))
	Klivets P.G.	Financial strategy - a system of actions to achieve the best financial activities, all types of cost savings, capital mobilization to support the production, research, marketing and other strategies aimed at maximizing the value of capital. (Klivets P.G. (2007))
	Lisovskaya I.A., Ryzhkova S.A.	Financial strategy is the concept of financial management, which is part of the organization's strategic management, aimed at achieving the goals in the dynamic changes in the external and internal environment. (Lisovskaya I.A., Ryzhkova S.A. (2008))
Integrated Approach	Geniberg T.V., Ivanova N.A., Polyakova O.V.	Financial strategy - a plan of action associated with risk and uncertainty, which is intended to effective development of the company formed part of the mission, the long-term financial goals, develop corporate and business strategies of the organization, which is financing through the formation, coordination, distribution and use of company's financial resources. (Geniberg T.V., Ivanova N.A., Polyakova O.V. (2010))

An analysis of existing approaches to the definition of the company's financial strategy led to the conclusion that, despite the apparent differences, they all contain the same type of distinct elements. Performing semantic analysis allowed to identify the following key points included in the definition quoted in the different approaches (Table 2).

**Table 2.** Semantic analysis of economic literature definitions of the enterprise's financial strategy

Key Point	Performance in the definitions of a financial strategy
Target	The effective development of the company, ensuring profitability and

	strengthening financial stability, to maximize the value of the enterprise.
Time	Long-term targets, long-term perspective.
Object (Direction)	Financial activities, financial and economic activities of enterprises, financial relations.
Mechanism	Financing, financial methods, techniques and levers.
Terms	External and internal environment.
Place	One of the major functional strategies of the enterprise, an important link between the mission, vision, goals and objectives.
Method	Rational and efficient use of financial resources and capital structure.
Functions	Financial planning and forecasting, financial analysis, control and coordination.

Based on the specification of the financial strategy's main elements it is possible to synthesize the author's definition of it: financial strategy is part of the enterprise development strategy, one of the most important types of functional strategies, and is a reasonable concept of formation, coordination, distribution and use of financial resources, associated with risk and uncertainty, taking into account the conditions of dynamism and change in external and internal environment, which aims to develop an effective enterprise, the creation of competitive advantage and maximize the value of equity generated in the framework of the mission and long-term financial goals and objectives.

The definition of the industrial enterprise's financial strategy is the most useful for the following reasons:

- - Summarizes the existing economic literature approaches to the definition of its concept and essence;
- - Highlights the peculiarities of the financial strategy of the enterprise, distinguishing it from other economic categories;
- - Implies the presence of compulsory registration conditions and factors of changes in the external and internal environment;
- - Reflects the main functional elements of the financial strategy and its long-term nature;
- - Takes into account the relationship with the strategies above standing level (corporate and business).

## **2.2. Indicators for Evaluation the Strategic Potential of Industrial Enterprises**

The most informative assessment tools strategic potential of industrial enterprise in the process of developing a financial strategy are: SPACE and SWOT- analysis, the matrix of strategic resources and reserves.

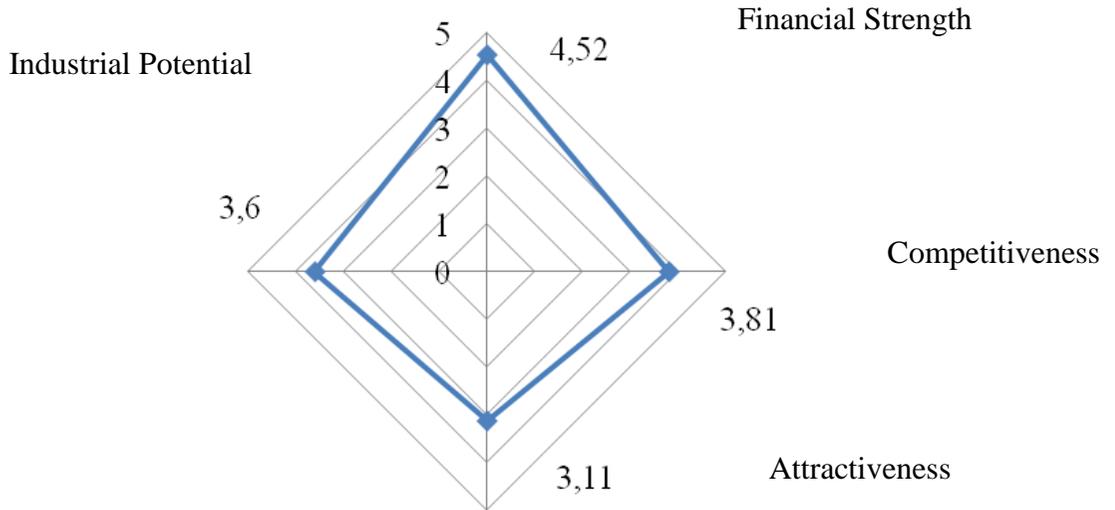
Results SPACE - analysis gives an opportunity not only to identify the strengths and weaknesses of the industrial enterprise and the vector of its strategic development, but also to determine the direction of financial strategy (Table 3, Figure 1).

**Table 3.** SPACE - analysis of the food industry

Evaluation Criteria	Weight	Evaluation in points	Weighted Score
<b>Financial Strength of the Company</b>			
Return on Investment	0.3	3.9	1.17
Financial Stability	0.3	5	1.5
Liquidity and Solvency	0.3	5	1.5
The Level of Financial Risk	0.1	3.5	0.35
General			4.52
<b>Competitiveness of Businesses</b>			
Return on Sales	0.3	4	1.2
Production Profitability	0.2	3.7	0.74
Market Share	0.2	2.6	0.52
Competitiveness of Production	0.3	4.5	1.35
General			3.81
<b>Attractiveness</b>			
Life cycle stage of the industry	0.3	3.4	1.02
The dependence of the industry on the environment	0.2	3	0.6
The level of development of innovative activity in the industry	0.2	2.8	0.56
The stability of the profits in the industry	0.3	3.1	0.93
General			3.11
<b>Industrial Potential</b>			
Asset efficiency	0.2	3.5	0.7
Labor productivity	0.2	4	0.8
Growth Rate	0.3	2.5	0.75
Financial Resources	0.3	4.5	1.35
General			3.6

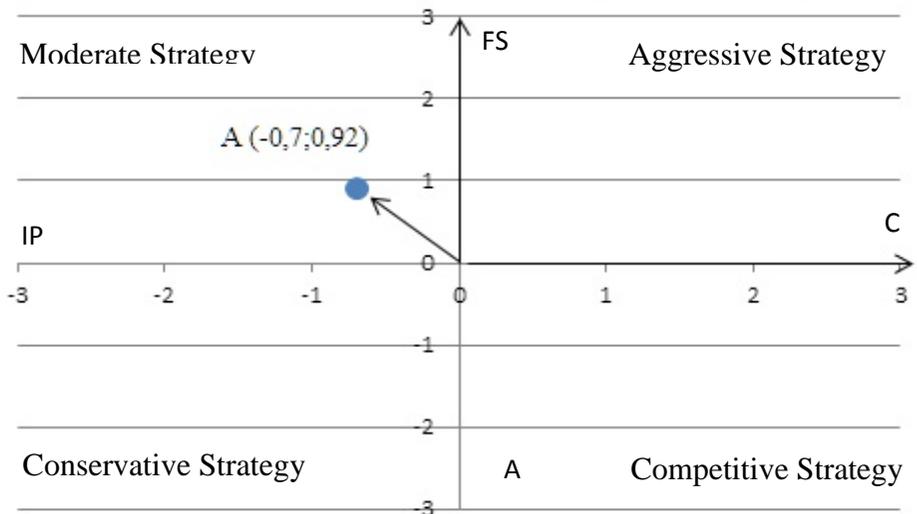
Each indicator of the key strategic areas of financial and economic company activity, estimated by experts on a 5-point scale based on the study of statistics, analysis and comparison of the actual values with the regulations and the averages for the industry.

Building a «web card» on the results of SPACE - analysis allows visually identify both the strengths and weaknesses of the area of activity for the strategic development. In particular, the first group includes the financial strength (4.52 b.), the competitiveness of enterprises (3.81 b.), and a second - industrial potential (3.6 b.) and the attractiveness of the industry (3.11 b.).



**Figure 1.** Map SPACE - analysis of the food industry

After receiving the weighted estimates (based on the weight of each indicator) necessary to construct a vector defining the optimal type of financial strategy in the coordinate system SPACE - analysis (Figure 2).



**Figure 2.** The vector of optimal enterprise's financial strategy (based on SPACE - analysis)

The vector starts from the origin and is directed to a point A at coordinates (x, y), where:

$$\begin{aligned} - x &= A - C = 3.11 - 3.81 = - 0.7; \\ - y &= FS - IP = 4.52 - 3.6 = 0.92. \end{aligned}$$

Thus, these results suggest the need to implement an industrial enterprise moderate financial strategy.

### **2.3. Methods of Comprehensive Evaluation of Enterprise's Strategic Potential**

Theoretical and practical studies tool of strategic and financial analysis made it possible to develop a methodology for a comprehensive evaluation of the enterprise's strategic potential, which determines the most appropriate type for a financial strategy. Its features are as follows:

- Based on the calculation of the complex index SPt (strategic potential of industrial enterprises), which allows evaluating the financial and economic, industrial, technological, and organizational and management capacity (potential), as well as strategic and competitive position of the industrial enterprise:

$$SP_t = 0.4*FP + 0.3*TP + 0.1*OP + 0.2*CP \quad (1)$$

where SPt - an indicator of the overall assessment of the enterprise's strategic potential;

FP - an indicator of the financial and economic evaluation of the enterprise potential;

TP - rate assessment of production and technological potential of industrial enterprises;

OP - an indicator of evaluating the organizational and management capacities of industrial enterprises;

CP - an indicator of evaluating strategic and competitive position;

- The calculation of this indicator is preceded by extensive work on the evaluation of each of its components (based on using large number of analysis tools: an integrated financial, economic and statistical analysis, factor analysis, expert opinions, SWOT-, PEST-, SNW-, SPACE-analysis, BCG matrix, evaluation model of five driving forces M. Porter of competition);

- Depending on the value of the indicator SPt (ranging from 0 to 2) identified five levels of the enterprise's strategic potential and the corresponding types of financial strategies (Table 4).

Ranking indicators in descending order of importance in the development and implementation of financial strategies and the determination of their weights in determining the integral index of evaluation of the enterprise's strategic potential is carried out using a scale Fishburne.

**Table 4.** The performance appraisal system SP<sub>t</sub> and determination of the optimal enterprise's financial strategy

Value SP <sub>t</sub>	Summary of the Situation	Possible Types of Financial Strategy
SP <sub>t</sub> = 2	The absolute level of the enterprise's strategic potential. Financial and economic state, competitiveness and efficiency of the use of financial, human and production resources at a high level (close to the ideal state). The company has a wide range of industry self-regulation under the influence of factors internal and external environment.	Aggressive financial strategy / financial strategy of accelerated growth
SP <sub>t</sub> ∈ [1.1; 1.9]	The high level of enterprise's strategic potential. The financial and economic, industrial and technological, organizational and managerial capacities of industrial enterprises are characterized by a stable growth of the major technical and economic indicators. All available resources are used effectively industrial enterprise. At the same time, ensuring the strategic development in the future requires additional investment.	Moderate financial strategy / financial strategy of moderate growth
SP <sub>t</sub> ∈ [0.9; 1]	Stable level of enterprise's strategic potential. The financial and economic, industrial and technological, organizational and management capacity of the industrial enterprise ensures stable performance values that are at the same level for several years. Industrial develops slowly, but steadily. To enhance financial and economic activities require additional (or new) sources of funding, as well as finding ways to make more efficient use of existing ones.	Conservative financial strategy / defensive financial strategy
SP <sub>t</sub> ∈ [0.3; 0.8]	Volatile enterprise's strategic potential. The financial and economic, industrial and technological, organizational and managerial capacities of industrial enterprises are characterized by negative dynamics or significant jumps core indicators. The available material, financial and human resources are not used to the full. Significant problems in at least one of the strategic potential areas may at any time withdraw from a state industrial enterprise market equilibrium. Predicting the likelihood of bankruptcy.	The anti-crisis financial strategy / financial stabilization strategy
SP <sub>t</sub> < 0.3	The critical state of the strategic potential. All the indicators that characterize the strategic potential of industrial enterprises are at a very low level and have a negative trend. Financial and economic activities of an industrial enterprise is	Financial strategy of a survival / financial strategy of liquidation

	characterized by the constant failures in production, irregularities in the marketing of products, critical financial situation, etc. In such circumstances, there are no opportunities for increasing the rate of expanded reproduction.	
--	---	--

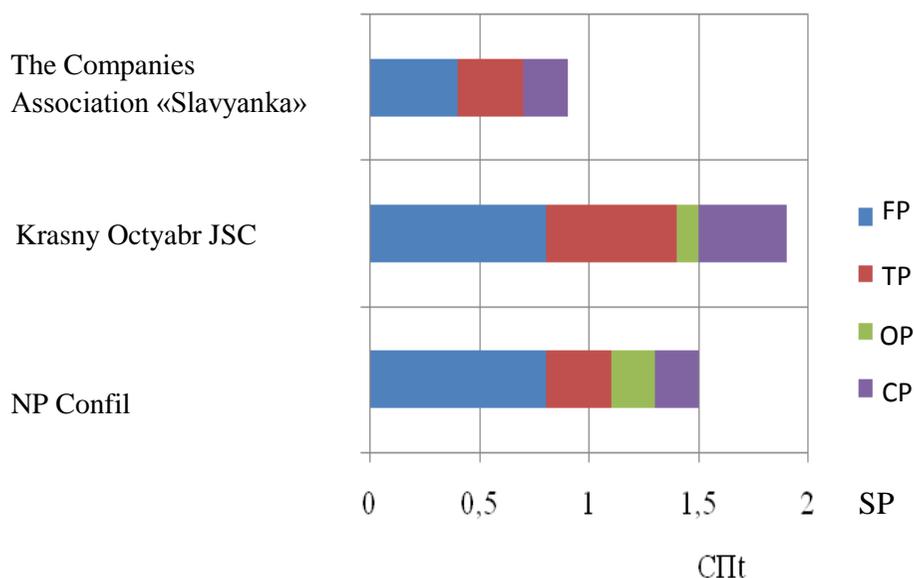
Thus, a general indicator of evaluation of enterprise's strategic potential not only describes the possible situations and conditions of macro and micro environment in which it operates, but also determines the most efficient direction of financial strategy. The closer the value of the indicator to 2, the more stable the strategic position of the industrial enterprise.

### 3. Result of the analysis

Results of the proposed methodology for evaluation strategic potential tested on the example of the food industry. Table 5 and Figure 3 show the final results of  $SP_t$  calculations for the food industry.

**Table 5.** The values of summary measure evaluation of food industry's strategic potential

Enterprise	Value $SP_t$	The values of the component indicators (taking into account weighting)			
		FP	TP	OP	CP
NP Confil (Volgograd)	1,5	0,8	0,3	0,2	0,2
Joint-Stock Company "Krasnyj Ocyabr" (Moscow)	1,9	0,8	0,6	0,1	0,4
The Companies Association «Slavyanka» (St. Petersburg)	0,9	0,4	0,3	0,0	0,2



**Figure 3.** The structure of rating-card evaluation of confectionery industry's strategic potential

The highest level of strategic potential in comparison with other industrial enterprises has analyzed of the Krasny Octyabr JSC. As part of the financial resources formation and using in the most suitable for it is the financial strategy of moderate growth. The company needs to make additional investments in order to improve the organizational and management potential and possession of the strategic potential's absolute level.

This group also includes The Companies Association «Slavyanka» and NP Confil, which is the main strategic goal should be the development of production and technological, organizational and managerial capacities.

The Companies Association «Slavyanka» has a stable strategic potential (conservative financial strategy), the transition to a higher level of strategic development is possible under the condition improving all components of the index SPt.

The results of a strategic potential's comprehensive analysis by the described technique can not only assess the current situation and determine the direction of financial strategy in the process of its development, but are an important information base at the stage of its implementation, in particular in the preparation of strategic maps and implementation of the strategic financial controlling.

#### **4. Conclusion**

In the course of practical studies were considered set of problems relating to the process of developing a financial strategy and determine the optimal its type, depending on the features of the enterprise's development by the authors.

Theoretical and practical study of strategic and financial analysis's tool made it possible to develop a methodology for a comprehensive assessment of the enterprise's strategic potential, which determines the most appropriate type for a financial strategy. Its features are as follows:

- Based on the calculation of the complex index SPt (strategic potential of industrial enterprises), which allows to evaluate the financial and economic, industrial, technological, and organizational and management capacity, as well as strategic and competitive position of the industrial enterprise;
- The calculation of this indicator is preceded by extensive work on the evaluation of each of its components with the use of a large number of analysis tools;
- Depending on the value of the indicator SPt (ranging from 0 to 2) identified five levels of development of the strategic potential of industrial enterprise and the corresponding types of financial strategies: absolute level of strategic capacity (aggressive financial strategy / financial strategy of accelerated growth), a high level of strategic potential (moderate financial strategy / financial strategy of moderate growth), a stable level of strategic potential of industrial enterprises (conservative financial strategy / defensive financial strategy), unstable strategic potential (anti-crisis financial strategy / financial stabilization strategy), the critical state of the strategic potential (financial survival strategy / financial strategy liquidation).

The proposed method has the following advantages:

- It's widely informative and takes into account the large number and variety of factors internal and external environment;
- It's based on a multidimensional, systematic and comprehensive approach;
- It allows you to identify the strengths and weaknesses, potential reserves of enterprise's growth, as well as areas for investment;
- It's available and easy to apply in practice;
- It allows you to take into account the peculiarities of financial and economic activity of the investigated industrial enterprises and properties of the medium in which it is carried out;
- It includes both quantitative and qualitative assessment;
- It helps industrial companies to compare with each other in order to determine the level of competitive advantage.

The main disadvantage of the proposed methodology for assessing the enterprise's strategic potential is the high time and cost of the intellectual stage preceding the calculation of the complex index (carrying out financial and strategic analysis: the calculation of a large number of indicators, the use of different methodologies to assess internal and external environment, etc.).

## References

- Blank, I.A. (2007) *Financial Management* / I.A. Blank. - K.: Nika - Center, Elga, 2007. - P. 104.
- Davydov, L.V. (2007) *Formation of enterprise's financial strategy: monograph* / L.V. Davydova, N. Sokolov. - Eagle: NTU, 2007. - P. 27.
- Geniberg, T.V. (2010), *Essence and methodological basis for the development of the company's financial strategy* / T.V. Geniberg, N.A. Ivanov, O.V. Polyakova // Issue NSUEM. - 2010. - № 4. - P. 16.
- Goritskaya, N.G. (2005) *Financial Strategy* / N.G. Goritskaya // CFO (Financial Director). - 2005. - № 11. - P. 74 - 79.
- Igonina, L.L. (2004) *The essence of the corporation's financial strategy and its defining factors* / L.L. Igonina, N.E. Skachkova // *Socioeconomic Yearbook*. - Krasnodar YUIM, 2004. - P. 35.
- Ilysheva, N.N. (2004) *The financial strategy of the organization: concept, content and analysis* / N.N. Ilysheva, S.I. Krylov // *Finances and Credit*. - 2004. - № 17. - P. 8 - 17.
- Klivets, P.G. (2007) *The strategy of the company* / P.G. Klivets. - K.: Akademvidav, 2007. - P. 123.
- Lisovskaya, I.A. (2008) *The financial strategy: the need to build the basic components and principles of construction* / I.A. Lisovskaya, S.A. Ryzhkov // *Russian Entrepreneurship*. - 2008. - № 10. Vol. 1 (120). - P. 132.
- Meskon, M.H. (1995) *Principles of Management* / M. Meskon, M. Albert, F. Hedouri. - M.: Delo, 1995. - P. 204.
- Ovodkov, D.A. (2008) *The financial strategy of the enterprise and the mechanism of its development: monograph* / D.A. Ovodkov, V.V. Gavrilov. - Voronezh: ITOUR, 2008. - P. 36.
- Strategic management* / ed. Petrov A. - St. Petersburg: Peter, 2005. - P. 13.
- Thalassinos, E., Liapis, K., & Thalassinos, J. (2014). *The role of the rating companies in the recent financial crisis in the Balkan and black sea area*. In *Economic Crisis in Europe and the Balkans* (pp. 79-115). Springer International Publishing.
- Thalassinos, E., & Liapis, K. (2013). *A Comparative Analysis for the Accounting Reporting of Employee Benefits between IFRS and other Accounting Standards: A Case Study for the Biggest Listed Entities in Greece*. *International Journal of Economics and Business Administration*, 1(1), 99-124.
- Vikhansky, O.S. (2013) *Strategic Management* / O.S. Vikhansky. - M.: Gardariki, 2013. - P. 89.
- Votchaeva, A.A. (2012) *The financial strategy of the company: the concept and role in the financial management* / A.A. Votchaeva // *SSSEU*. - 2012. - № 2 (41). - P. 88.