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Strategic Resource Initiative of Enterprise

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Abstract

Purpose – The paper aims to study strategic enterprise resource initiative formation processes. It analyzes the process of managing the strategic resource initiative and discusses its implementation mechanism. A research model for enterprises' strategic development is proposed, which suggests a geometric interpretation for estimating a company's long-term development.

Research design, data, and methodology – The analysis employs theoretical studies of modern researchers. The main models used to determine the optimal alternative business strategy are graphic interpretation and mathematical modeling.

Results – The hypotheses testing demonstrates the definition of a company's strategic resource initiative and explains the-mechanism or design of its formation. The study presents a geometric prism-refraction model of practice using a strategic resource initiative.

Conclusions – An enterprise's strategy could return to its initial state in case of its unexpected deviation as a result of passing through the nodal points. The proposed model allows us to evaluate business performance, its surrounding environment, and the resource management strategy, to determine the necessary scope of strategy changes necessary to bring it back to the original state.

Keywords: Strategic Resource Initiative, Agricultural Business, Strategic Management, Prism-Refraction Model.

JEL classifications: O17, O43, P11, Q01.

1. Introduction

There is an urgent need to find a new kind of strategic resource that will develop and consolidate strategies the state and its industry, draw up clear and workable policies of processing industries development, and stop the fraudulent bankruptcy and corporate raid processes in the base sectors of economy. Obviously, organizing the strategic processes of development within an industry and will bring about the whole range of socio-economic effects (Brandt & Black, 1957). Ultimately, the Ukrainian nation's imperative which does not have so far the clear direction of development should change. Any management decision taken as part of corporate strategy contains an element of uncertainty which will be compensated by professional and active an enterprise's managers (Black & Boal, 1994). It is exactly opposition to the new, not detectable, measurable and manageable risks where the role of the chief executive and his place in the implementation of corporate strategy lies. Our proposed approach to strategic management includes: a unified standard of monitoring, analysis and evaluation of the situation, managerial decision-making at all levels of corporate and public administration; elimination of dogmatism in organization of corporate and public governance, maximal encouragement of independence and corporate management initiative within the nationwide development strategy; learning of managerial personnel at all levels of management to be independent, to rapid, and therefore effective and efficient management within an enterprise's strategy; creating a unified and transparent controls of management decisions and enhancement of accountability of managers at all levels and fields of governance for implementation of the nation-wide strategy, and within that –the strategies of lower-level entities (Kunc & Morecroft, 2009).

Strategic landmarks of development in a region may be determined using the methodology of program-target regulation of social and economic processes (MacMillan, 1988). It involves setting strategic (global) and tactical (local) goals and objectives based on the analysis and diagnosis of the factors of internal and external environment within a region, defining the criteria of achieving the designated objectives as well as justification of the possible options for region's development (Shimizu & Hitt, 2004).

Institutional transformations involve changing the ownership relations, organizational and economic structure of the region's economy, increasing the role of various types of business entities, creating the conditions and forms of capital raising, strengthening of administrative and regulatory functions of the state in the new socio-economic relations (Vasara, Rouhiainen & Lehtinen, 2013). The major directions of institutionalization of the regional economy in the mid-term run are the following (Huselid, Jackson & Schuler, 1997). The first line: monitoring and analysis of the legal framework at the regional and local levels; identify-

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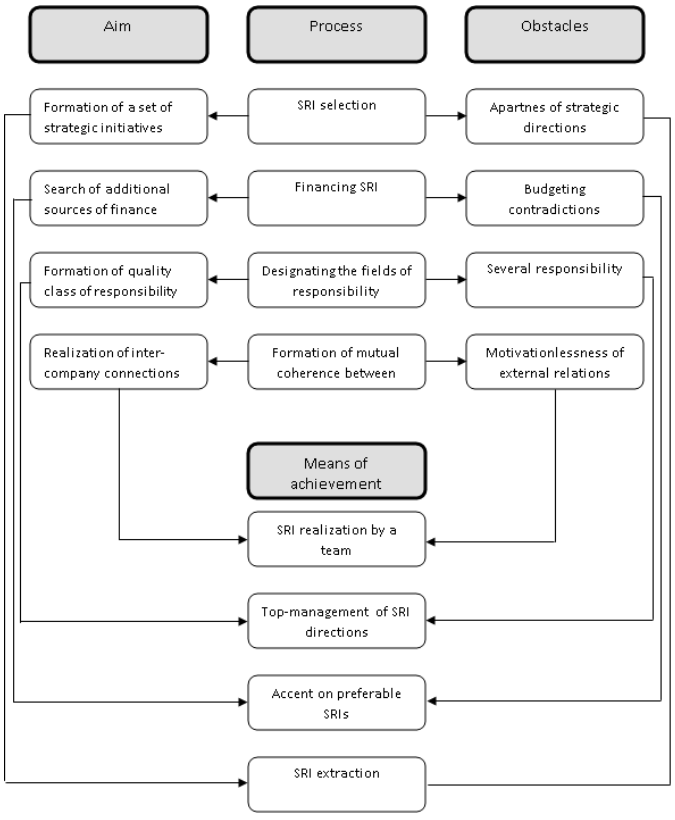
ing the infrastructure capabilities for implementation of major investment projects in the regions, formal and informal barriers to doing business and investment projects implementation; establishing a system of decision-making for the economic and investment policies. The second line: to assist local governments in implementing the economic policies, including the investment projects implementation. The third direction: leading the policy of identifying and developing the economic clusters at the regional level. The fourth course: development of public law partnership tolls while implementing the infrastructure projects. Implementation by the republican government of the policies to promote economic development of the territory, including cluster policy requires the establishment of appropriate institutions for implementing that policy, including the formation of territorial, regional and municipal development agencies whose primary functions should be to create the structures for monitoring and analysis of economic development, conducting business surveys, forecasting researches, development and implementation of strategic program of development in a region, attracting the foreign investors, leading out the enterprises into international markets.

2. Theoretical framework of the research

Strategic initiatives is a set of additional independent projects and programs with defined terms being performed beyond the frameworks of day-to-day activities of an organization, whose purpose is to assist organizations to reach the planned results (Lechner & Floyd, 2012). Strategic resource initiatives (SRI)is a designated set of long-term programs for utilizing the main and alternative resources which deployment will enable the company to achieve significant savings or economic effect.

The process of selecting the strategic resource initiatives should take place on a clearly coordinated levels of communication among all participants to the process. In course of reaching the strategic goal the managers and those responsible for implementing the strategy face the challenge of coordinating the long-term plans with short-term goals, as close relationship of short- and long-term objectives is obvious. However, it is not always maintained in course of implementation of the global objectives.

The situation occurring in course of performing economic activities would make it not practicable for companies that seek to maximize their profits to follow one only strategic goal. According to this statement it is not possible to put forward only one SRI. Even more – one strategic goal may be corresponded by several strategic initiatives. Consequently, the number of SRIscompared to the number of strategic goals should differ by times. The relationship of strategic resource initiatives and strategies for resource management will ensure achieving the synergistic effect.



Source: Author's Research

<Figure 1> Process of strategic resource initiatives management

The purpose of the process of selecting the strategic resource initiatives is creating their array for further extraction among those the most effective one at a given time period. SRIs, in aggregate, may be broken down by categories of priority. These categories will be determined depending on the efficiency of resource utilizing, patterns of their use, and other indicators to measure consumption of resources. Obstacles to creation of a family of SRIs is apartness of the areas of enterprise's strategic development. Different orientation of possible strategic lines of a company's activity may be caused by: first, production scale, second – the number of economic activities, which it is in a position to conduct, and third – the degree of motivation for long-term development.

The paradigm of selection of the required SRI in a definite time interval will be based on the assumption that the necessary and sufficient solution at the moment will be the initiative to develop the best possible strategy. Optimality criteria will be defined by a time index, indicators of profitability, laborintensity and motivational component.

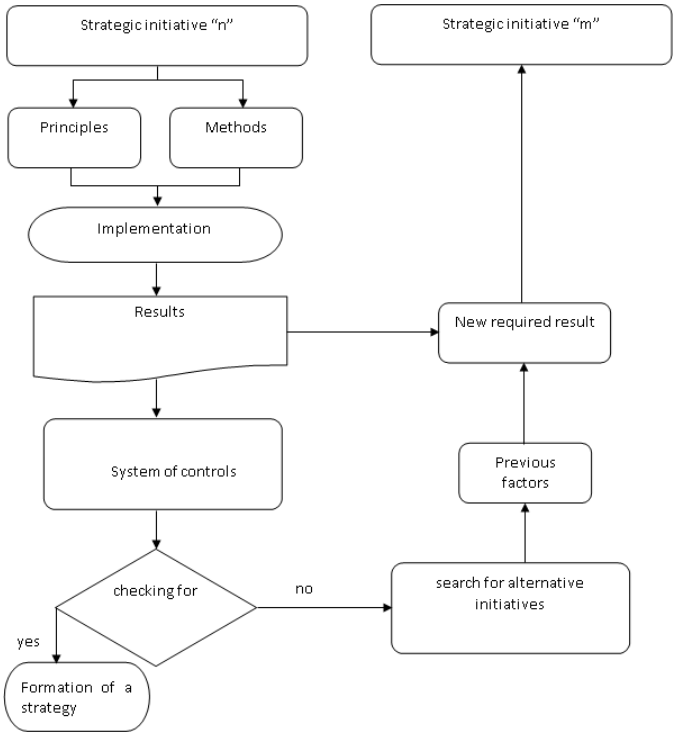
Financing the strategic resource initiative is an issue of solely individual nature ineach case. The process of raising the funds for implementation of the strategic plan lies in creating the flexible financial tools that will enable to promptly engage financial facilities to study that strategic initiative. The aim of the process is to find additional sources of financing as while implementation

of a strategic plan is backed by the formed by a company budget and allocated facilities, the SRI management would normally not be accompanied by the budgeted funds, as the rise of initiatives in most cases is not predictable. Barriers to SRI financing will be possible inconsistencies in budgeting. While drawing up financial plans an entity should take into account the reserve fund of development which will not necessarily mention targeting the funds at specific development needs. In addition, among all possible SRIs the emphasis needs to be made on the initiative whose development and management will allow to achieve maximum effect, while scattering the financial resources among several SRIs will result in failure to implement any one of those.

The process of determining the area of responsibility of SRI management lies in separation of those charged in creating individual initiatives. The peculiarity of this separation is in division the so-called quality class of responsibility, i.e. specification of responsibilities of each SRI's participator for clearly designated fields and inter-functional connections. The major issue with a separated responsibility lies in unwillingness of the mid-level management at companies to commit to long-term liabilities. Therefore, in most cases responsibilities for developing the strategic initiatives and implementing them into enterprise's strategy would be shifted up to the level of executives. However, a prerequisite to determine the leadership, that is, key points in the process of SRI management will be exactly appointment of the manager who would be able to provide a clear coordination of all functional services in order to implement the initiative into a full-scale strategy. With that, the means to achieve the above condition may be quite plain motivational factors such as incentive payment, job promotion, additional leaves and enhancement of social security level.

The final step in the process of strategic resource initiatives management will be development of relationships between them. The relationship between SRI should realize at the inter-company levels, where the formation of inter-industry relations takes place in the context of the overall paradigm of enterprise's development. An obstacle to the mutual coherence of SRIs stands motivationlessness of external relations on course of initiatives management. The reason for this lies in separation of production units, organization of relations at the fiscal level only. SRI management receives a positive effect when the concept of team management of strategic resource initiatives has been implemented (Beachy, 2010).

Therefore, the management and formation of strategic resource initiatives reveals key aspects of implementation of the strategy of enterprise's resource management while accepting the assigned resource initiative. SRI realization algorithm is shown in Fig.2. The specified algorithm allows, in general terms, to describe the process of creating a strategic resource initiative to obtain a desired result – the program of strategy implementation.



Source: Author's Research

<Figure 2> Mechanism of strategic initiatives realization

Then each SRI will go through controls where the system of controlling provides for checking the results obtained in terms of achieving the goals. In case of successful checking procedures the strategic resource initiative "n" turns into a development strategy. Otherwise alternative SRI will be in search for to comply with the assignment and pass re-checking until the new or desired result has been reached.

The strategic initiative is a crucial and key point in the strategic management. The strategic initiative is a long-term pressure (influence) for the purpose of constant accumulation of more and more advantages in the development, building up the strategic positional advantages in the competition - followed by their implementation in transition to distinct advance-driven activities in this process. As the heart of the strategic initiative a strategic agenda should stay that aims to dramatically change the environment favorable for its initiator. This plan may undermine, for example, the revolutionary change in manufacturing techniques, the mass deployment of new materials, active development and immediate introduction of new forms of non-price competition, implementation, through key decisions, of the new managerial methods within risk and uncertain environment and so on. The strategic agenda is not a normally exhibited on the surface plan. It requires an in-depth study of the situation and assumes an enhanced level of risk. It is not a regular conception and in most cases will be based on use of intuitive and heuristic reasoning and decision making methods. The strategic agenda claims a variety of calculations of predictive nature over a number of periods (moves) in advance, with taking into consid-

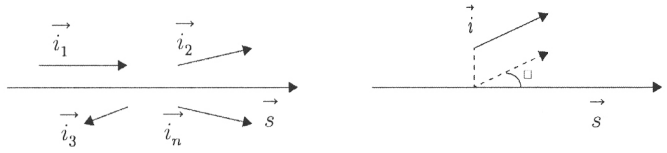
eration the factor of surprise onto competitors within the industry or the region, being operationally affected by the financial and economic context. The strategic agenda and strategic initiative will only be able to provide for strategic management efficiency where adequate resource flexibility as well as sufficient amount of strategic reserves for this purpose are accommodated.

Designation of enterprise's resource strategy as an individual paradigm of research will allow to define the field of its existence (Vedres & Stark, 2010). In this field there are major and minor ideas to implement the chosen strategy. The main idea is precisely the mission and purpose of company's existence. The aim is the strategic goal which realization will dedicated all managerial efforts within a the firm. Generally, the purpose of company's existence should not change conceptually, only the final results of ongoing activities may be adjusted. The minor ideas include those tasks whose fulfillment is not a prerequisite for realization of the main objective, remaining a desirable action though.

In course of studying a company's strategic development a number of issues related to the implementation of the company's mission will appear. One of those issues is how the major strategic goal is to be implemented. But at this certain additional elements arising within implementation of the strategy will partly be excluded from sight line (Delery & Doty, 1999). Those additional elements or, as they are called, initiatives are integral parts in the process of achieving the long-term goals of a company. The question of strategic initiatives becomes urgent in those cases where the company faces alternative development options. In today's economic climate, when the market situation is changing rapidly, alternative conditions open up at every time of taking a decision.

3. Research methodology

Let us model the search for alternative solutions in implementation of an enterprise's strategy. As the mail research is devoted to the strategic management of the resource potential of a company, in this case the main lever of influence on decision-making is the value of a certain resource at a given time. If we imagine the strategic development of a company as a vector, the strategic initiatives are multidirectional to the strategy vector. Thus, the strategic initiatives vectors can modify the main vector of development in case of their strong interactions. Suppose $\vec{s}$ is the vector of enterprise's strategic development, $\vec{i}_1, \vec{i}_2 ..., \vec{i}_n$ – vectors of strategic initiatives, $\phi_1, \phi_2, ..., \phi_n$ – inclination angles between vector $\vec{s}$ and $\vec{i}_1, \vec{i}_2 ..., \vec{i}_n$. Provided $\phi = 0$, i.e. $\vec{s}$ and any of $\vec{i}$ are collinear, the additional expected profit from realization of strategic initiative i will enhance the entity's development strategy. This profit will constitute the scalar product of lengths of vector $(\vec{S}, \vec{i}) = |S| \cdot |i|$, where $|S|$ and $|i|$ are expected profits from realization of the strategy and strategic initiative respectively. In case where $\phi \neq 0$, increase in additional profit will make $(\vec{S}, \vec{i}) = |S| \cdot |i| \cos\phi$ and will be less than the value of the additional expected profit mentioned above. Graphically, the interpretation of strategic initiatives vectors is depicted in Fig 3.



Source: Author's Research

<Figure 3> Strategic initiatives vectors

In case the additional expected profit $P_0 \rightarrow \max$, then $(\vec{S}, \vec{i}) = |S| \cdot |i|$, in other cases – $(\vec{S}, \vec{i}) = |S| \cdot |i| \cos\phi$. On condition of realization of all possible strategic initiatives, it will be expedient to first proceed with adding the vectors in order to build the general vector of initiative $(\vec{S}, \vec{i_1} + \vec{i_2} + ... + \vec{i_n}) = |S| \cdot |\vec{i_1} + \vec{i_2} + ... + \vec{i_n}| \cos\phi$. Such perception of possible options for implementing the additional solutions to the overall strategy may facilitate a wider view the opportunities and hidden threats among possible alternative or complementary versions of enterprise's development. Graphical interpretation of the strategic initiatives will allow to understand from the spatial perspective the efficiency scale of use of enterprise's resource potential provided a long-term development being planned.

Similarly, there is a company's strategic way of modeling firms using a prism-system where the strategic direction of a company's movement will be displayed using motion vectors, while the key moments of change in the strategy elements – through prisms and mirror surfaces.

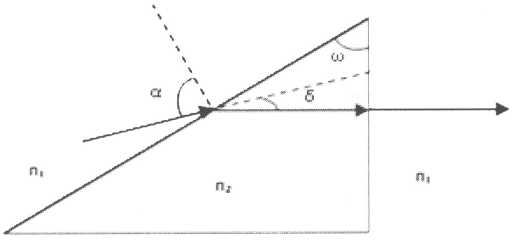
Provided the global strategy of a company is a development vector directed horizontally, any deviations of this vector will be caused by certain changes in the environment, working conditions, or the efficiency of capital. These nodal points or moments of change are of two levels of prediction (Crook, Ketchen, Combs & Todd, 2008). The first level – the so called preliminary prediction. Under conditions of prior prediction the superficial analysis of external and internal environment will take place, the prospects for enterprise's capital development will be defined, and motivational measures in terms of its employees determined. At the second prediction level an extended and more detailed analysis of the above factors will be conducted. Division of change in the strategic course of the company into two levels of prediction is an important factor for saving company's finance in the long-term development context. This is because the first level will require far less resources than the second one.

4. Results

In the presence of the expected future change in the strategy of a company, it is possible to define the process of changing

the direction of the strategy using the prism-refraction model. This model implies availability of the following specifications: 1) designated environment of an enterprise; 2) designated settings of change; 3) designated deviation of a company from the initial strategy.

This model is appropriate to apply provided a change in the direction of enterprise's strategic movement occurred and there is a need for it return it to its original position.



Source: Author's Research

<Figure 4> The process of changing the direction of the strategy during its passage through the environment of change

The process of changing the direction of the strategy will take placed through implementation of a sequence of arrangements that affect its properties. After the company's strategy has deviated from the main stream, i.e. when the strategy vector at a given time period is at an angle to the initial strategic vector (basis), one should must implement a process of changing the direction of the vector against the basis through the implementation of changes within the environment surrounding the strategy.

n_1 – current position (field) of enterprise's environment

n_2 – position (field) of change in direction of enterprise's strategy

α – angle of strategy's current level for its further change

ω – angle of refraction as the change occurs

δ – deviation angle to lead to the basis level of enterprise's strategy after the change.

The current state of company's environment is defined through assessment of its external environment, internal environment, labor and capital. The external environment of an enterprise includes such factors as economic position, social development, political situation, the legal framework, scientific and technological development, cultural status, demographics, ecology trends, factors of international cooperation and the conditions of doing business in the country. In addition, the internal environment should consider factors of close settings: suppliers, customers, competitors. Internal environment should include the organizational structure of an entity, the level of technology deployment and the level of staff motivation, availability of resources for an enterprise generally and for the current time period.

The state or existential settings of a company n1 and n2may be specified through the functional relationship:

$n_i = f(X_i, I_i, L_i, K_i)$ (1),

where X_i – external to an enterprise environment

I_i – enterprises internal environment

L_i – integral assessment of labor resources

K_i – integral assessment of enterprises capital

i – type of environment's status.

Indicators X_i and I_i are the integral evaluation of a set of environment components and are determined taking into account peculiarities of economic life of each subject studied. Workforce utilization indicator L_i is an integral component that combines the set of such indicators as wage level, average wage in the enterprise, timely payments, wage growth and productivity. Indicator K_i provides for evaluation of a combination of the engaged capital efficiency. It includes return on use of fixed and current assets, total profitability, return on assets.

Angle α expresses the integral combination of parametric characteristics that match the current state of an enterprise's business strategy. These specifications are a set of performance indicators defined individually for each company depending on features of its activities and the level resources utilizing. The greater the degree of displacement of enterprise's strategy from the basis level, the larger α will be. The formula to define α will be

$\alpha = \arcsin W$ (2)

where W – valid assessment of enterprise's resource utilization strategy during the current time period.

Indicator W is defined as the integral weight of efficiency of enterprise's resource utilization.

$W = w_1 M + w_2 L + w_3 K + w_4 I + w_5 E + w_6 IM$ (3)

where $w_1 - w_6$ – weighting coefficients

M – efficiency of material (physical) resources utilization

L – efficiency of labor resources utilization

K – efficiency of finance resources utilization

I – efficiency of investment and innovation resources pecypc iв utilization

E – efficiency of energy resources utilization

IM – efficiency of intangible resources utilization.

Angle ω expresses the integral combination of parametric characteristics that reflect the state of enterprise's resource use strategy in course of implementing the mechanism for returning to basis position of the strategy. These characteristics are similar to the W, but differ in values, as they undergo changes resultant from the correction of company's strategy. The value of ω determines the necessary level of impact on enterprise's resource management.

$\omega = \arcsin W_c$ (4)

where W_c – valid assessment of enterprise's resource utilization strategy in course of change of its direction towards the basis.

The task of the strategic management is to find an environment of change where the passage of enterprise's strategy vector through the prism of change would refract by the desired angle δ under which the strategy of a company returns to its original state. Determination of δ, provided the α and ω are known, may be done using a formula that takes into account the conditions of environment in which the economic process and the process of strategy change take place.

$$\delta = \alpha - \omega + \arcsin\left(n_2 / n_1 \cdot \sin\omega \cdot \sqrt{1-(n_1/n_2)^2 \cdot \sin^2\alpha} - \cos\omega\sin\alpha\right) \quad (5)$$

With the value of δ in possession one can calculated those parameters which will exist in the strategic plan of a company after its return to the basis strategy.

The valid assessment of return to the basis strategy of a company will be:

$$W_N = \sin\delta \quad (6)$$

5. Conclusions

Thus, it is possible for an enterprise's strategy to return to its initial state in case of its unexpected deviation as a result of passing through the nodal points. The proposed model allows to evaluate performance of a business, the environment that surrounds it and the strategy of resource management; to determine the necessary scope of strategy changes to bring it back to the base state. Return of a company to this status will be realized by adjusting the institutions of resource management and its potential within the frameworks of the strategy change field.

The use of prism - refraction model in assessing the effectiveness of the use of the strategic potential of the company will implement several paradigms. The first paradigm leads to determine the optimal course of development of the company. The second paradigm proceeds the distinction of the impact on the overall efficiency of the enterprise of individual components of its potential. The third paradigm goes to the development of strategic resource initiative of the company. This initiative will enable the company while doing business opportunities to find the optimal long-term growth. By areas of future research it should be included the development of strategic resource initiatives within regional economic cluster. This cluster is a group of companies with a combine of similar characteristics in terms of industrial activity.

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