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STRATEGIC MANAGEMENT AS AN EFFECTIVE METHOD OF MANAGING ENTERPRISES OF THE ALCOHOL INDUSTRY

The problems of development of the activities of the State Enterprise "Ukrspir" and alcohol companies under the control of the Concern "Ukrspir" are considered. Identified that it is necessary to find methods to stop the degradation of enterprises of the alcohol industry in Ukraine, which is caused by the lack of sales markets and, as a result, termination of the production of alcohol companies, increasing social tension, and lack of profit. So, it is necessary to begin with the introduction of innovative aspects of strategic management.

Keywords: alcohol, alcohol enterprises, management, strategy, reorganization, innovation.

Шевченко Л.О. СТРАТЕГІЧНИЙ МЕНЕДЖМЕНТ ЯК ЕФЕКТИВНИЙ МЕТОД УПРАВЛІННЯ ПІДПРИЄМСТВАМИ СПИРТОВОЇ ПРОМИСЛОВОСТІ

Розглядаються проблеми розвитку діяльності ДП «Укрспирт» та спиртових підприємств, які знаходяться в управлінні Концерну «Укрспирт». Визначено, що необхідно терміново шукати методи припинення деградації підприємств спиртової промисловості в Україні, яка пов'язана з відсутністю ринків збуту, і як наслідок зупинення виробництва спиртових підприємств, посилення соціальної напруги та недоотриманням прибутку. Необхідно починати з введення інноваційних аспектів стратегічного управління діяльністю спиртового підприємства.

Ключові слова: спирт етиловий, спиртові підприємства, менеджмент, стратегія, реорганізація, інновації.

Шевченко Л.О. СТРАТЕГИЧЕСКИЙ МЕНЕДЖМЕНТ КАК ЭФФЕКТИВНЫЙ МЕТОД УПРАВЛЕНИЯ ПРЕДПРИЯТИЯМИ СПИРТОВОЙ ПРОМЫШЛЕННОСТИ

Рассматриваются проблемы развития деятельности ГП «Укрспирт» и спиртовых предприятий, находящихся в управлении Концерна «Укрспирт». Определено, что необходимо срочно искать методы прекращения деградации предприятий спиртовой промышленности в Украине, которая вызвана отсутствием рынков сбыта, и как следствие остановкой производства спиртовых предприятий, усилением социального напряжения и недополучения прибыли. Необходимо начинать с введения инновационных аспектов стратегического управления деятельностью предприятия.

Ключевые слова: спирт этиловый, спиртовые предприятия, менеджмент, стратегия, реорганизация, инновации.

The problem of the research. The alcohol production of Ukraine is represented by a state monopoly and, as practice shows, the state is not the best owner and manager of state property.

One of the main problems for the alcohol enterprises is the impossibility for most of the distilleries of ensuring stable production and realization of alcohol in today's economic environment.

The impossibility of launching all the alcohol distilleries is determined by the fact that demand in the market of Ukraine is covered by the production of alcohol by 20 alcohol distilleries.

The other 58 alcohol distilleries do not work, which leads to the moral depreciation of equipment, increased social tension, and the lack of income and non-payment of taxes to the budget.

It is necessary to determine the future of the alcohol industry because in the process of monopoly state management it is the tendency of increasing the debt obligations of the alcohol industry. First, it is necessary to start with a change in the management system of the enterprise and implement aspects of strategic activity planning.

Analysis of the recent research and publications. The aspects of forming strategic management and the formation of competitive behaviour strategies are widely covered in the writings of well-known foreign authors such as I. Ansoff, G. Armstrong, Ph. Kotler, J. J. Lambin, M. McDonald, M. Porter, and Ukrainian authors: N.V. Kudenko, A.O. Starostina, I.L. Reshetnikova.

Unsolved part of the general problem. Taking into account the detailed discussions of scientists regarding the necessity of taking measures in relation to the restoration and development of enterprises of the alcohol industry, we are investigating the issue of the influence of strategic planning and introduc-

tion of aspects of the innovative development of the industry.

The aim of the article. The definition of the introduction of aspects of strategic management, as an initial stage of innovative development of alcohol enterprises.

Research methods. To make a research, methods of analysis are used. There was used the method of statistical analysis, we can see the proportions of alcohol production and using the method of comparison for further research. To analyse the concept of strategic management and the need for its providing in the business, improving the profitability and competitive ability of the alcohol enterprises, the theoretical method was used.

The main results of the study. To start let us summarize alcohol production market development during 2016 all over the world.

The 2016 year was marked by the recovery of crude oil from lows of \$26 to a trading range of \$40 to \$50/barrel. Another record level of exports to countries all over the world with the few exceptions being Europe (due to tariffs) and Russia has experienced by the ethanol industry. The ethanol industry continued the impressive export record by shipping over 1 billion gallons of ethanol to places like Canada, Brazil, UAE, Mexico, Korea, China, India, Saudi Arabia, and many other countries throughout the world. The US produced ethanol continues to be the lowest cost "octane booster" of any major liquid fuel produced in the world.

The price level for distillers grains (DDG, animal feed) continues to experience from China and Vietnam because China is back to importing distillers grains. Distillers grains are a highly valued feed product all over the world, however, DDG is often a pawn in the trade wars.

Speaking about Ukrainian alcohol market, we need to say that it is in crisis and it is necessary to take

measures to improve the situation as quickly as possible. To do this, a complete reform of the industry must be done. And first of all, it is necessary to choose the right management strategy and tactic.

Ukrainian alcohol market is represented by the State Enterprise "Ukrspir", which consists of 41 alcohol plants, all over the territory of Ukraine. Unfortunately, only 20% of the plants operate today. It is important to find ways to increase the sales of alcohol to start the work of all plants. One such a method is to export alcohol to another country.

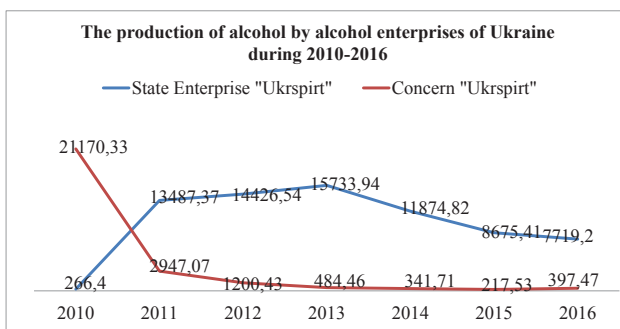
Until the end of 2010, the alcohol industry was characterized by the Concern "Ukrspir", which included 78 independent alcohol companies, associations, distilleries.

State Enterprise "Ukrspir" acquired the status of a successor to the State Concern of Alcohol and Liquor Industry "Ukrspir" (Table 1).

In accordance with the resolution of the Cabinet of Ministers of Ukraine dated July 28, 2010, № 672 "On Establishment of State Enterprise of Alcohol and Liquor Industry" (Resolution 672), it was decided to create the State Enterprise "Ukrspir" by reorganizing 78 state enterprises and associations of alcohol and the liquor industry on the basis of the property of the State Concern of the Alcohol and Alcohol Industry, state enterprises and associations of the alcohol and alcoholic beverage industry.

That is, the process of reorganization of state enterprises and associations of alcohol and alcoholic beverages industry, which is a part of the management of the Ministry of Agrarian Policy and Food, has begun by joining the State Enterprise "Ukrspir" and by way of the division of property, the use of which is made of excisable products, and the transfer of such a property to the State Enterprise "Ukrspir".

Let us analyse the success of the production of alcohol companies as a part of the State Concern of Alcohol and Liquor Industry "Ukrspir" and State Enterprise "Ukrspir" during 2010–2016 (Fig. 1).



In 2010, State Enterprise "Ukrspir" production was 1.25% of total alcohol production. Enterprises of State Concern "Ukrspir" produced 92.75% of alcohol.

But the trend fell rapidly and gradually State Enterprise "Ukrspir" increased the volume of production

of ethyl alcohol, which was expressed in the following indicators: from 82.06% till 97.55% of alcohol.

Because in 2010, the process of reorganization of the alcohol industry has just begun, then almost 78% of all distilleries produced alcohol. Over the next 5 years, we see an increase in the volume of production of alcohol by enterprises that have become a part of the State Enterprise "Ukrspir". The enterprises that remained in the subordination of the State Concern "Ukrspir" are rapidly losing the market, stop production, and are looking at the process of obsolescence of technology.

It is quite understandable that the existing organizational structures (State Enterprise "Ukrspir" and State Concern "Ukrspir") are ineffective.

To improve the situation, it is proposed to consider the implementation of management changes. It is very important to start changes from the small, namely to create an innovation development strategy for alcohol industry enterprises. It is necessary to start the process of innovative renewal of alcohol industry enterprises.

Also, it is very important for the alcohol producers to use some aspects of strategic management:

- strategic financial management;
- supply management;
- management by objectives;
- strategic alliance;
- operations management;
- supply chain and logistics;
- delivery management.

Let us notice that the strategic management – the management of an organization's resources to achieve its goals and objectives. The main aspects of management strategy are:

- to set objectives and goals;
- to analyse the competitive environment;
- to analyse the internal organization;
- to evaluate strategies;
- to ensure that management rolls out the strategies across the organization [1, p. 75].

So, strategic management involves identifying how the organization stacks up compared to its competitors and recognizing opportunities and threats facing an organization, whether they come from within the organization or from competitors.

Several schools of thought are in discussing the strategic management definition. A prescriptive approach to strategic management outlines how strategies should be developed, while a descriptive approach focuses on how strategies should be put into practice. These schools differ over whether strategies are developed through an analytic process, in which all threats and opportunities are accounted for, or are more like general guiding principles to be applied [3, p. 99].

There are important factors that influence how an organization can achieve its stated goals, such as the business culture of the company, skills and competencies of employees, and organizational structure. And it is very important to choose the right organizational structure for enterprises of alcohol industry of Ukraine.

Table 1

Modern organizational structure of the alcohol industry

State Enterprise "Ukrspir"	State Concern "Ukrspir"
Central control unit	Company liquidation commission
License for the production and sale of alcohol, alcohol, raw alcohol, technical alcohol, bioethanol	The license is excluded for alcohol production; The realization of ethyl alcohol is carried out only through Ukrspir, by concluding commission agreements;
41 place of business activity: 39 – on the production of ethyl alcohol, 2 – on the production of bioethanol	37 distilleries; Most enterprises – bankrupt
Annual production capacity – 35 million decalitres	Annual production capacity – 33,2 million decalitres

Some companies may find it difficult to succeed in a changing business environment. Creating a barrier between the development of strategies and their implementation can make it difficult for managers to determine whether objectives were efficiently met [2, p. 145].

It is necessary to hear the ideas from lower-level managers and employees, while an organization's upper management is ultimately responsible for the management strategy.

For example, State Enterprise "Ukrspirt" may have several employees devoted to strategy rather than relying on the chief executive officer for guidance. Organization leaders should focus on learning from past strategies and examining the environment. The collective knowledge is then used to develop future strategies and to guide the behaviour of employees of the company to ensure that the State Enterprise "Ukrspirt" is moving forward. For these reasons, effective strategic management requires both an inward and outward perspective.

Putting strategic management plans of State Enterprise "Ukrspirt" into practice – the most important aspect of the planning itself. To identify benchmarks, to realign financial and human resources, and to put leadership resources in place to oversee the creation, sale, and deployment of products and services – plans in practice. Also important are internal and external communication practices, as well as tracking to ensure that the State Enterprise "Ukrspirt" meets goals as defined in its strategic management plan.

The next important method to help State Enterprise "Ukrspirt" to be successful is strategic financial management.

While providing the strategic financial management in the State Enterprise "Ukrspirt", it refers to the specific planning of the usage and management of the State Enterprise "Ukrspirt" financial resources to attain its objectives as a business concern and return maximum value to shareholders.

Strategic financial management for the State Enterprise "Ukrspirt" involves:

- to set business goals (objectives);
- to identify and quantify resources that the company needs;
- to devise a plan for utilizing finances;
- to establish procedures for collecting and analysing data;
- to make financial decisions;
- to track and analyse variance between budgeted and actual results to identify problems and take appropriate corrective actions.

It is very important to apply aspects of supply management for the State Enterprise "Ukrspirt". Supply management means the acts of identifying, receiving, and managing the resources (grain) needed to run a business. These include physical goods, as well as information, services, and any other resources needed. Also, it is important to create a supply management division at the State Enterprise "Ukrspirt", with its own budget and skilled workers.

The main goals of supply management:

- to control costs;
- efficiently allocate resources;
- gather information to be used in strategic business decisions.

Also as the advantage of supply management is that it directly affects the results of a large purchaser or a manufacturer, supply management is just as important to service-based firms. The internet, along with broad improvements to logistical networks worldwide, can

help turn supply management into a key strategic objective at the State Enterprise "Ukrspirt", capable of saving millions and increasing efficiency company-wide.

The next principle of management that can be used is management by objectives (MBO) is a management model that aims to improve the performance of the State Enterprise "Ukrspirt" by clearly defining objectives that are agreed with management and employees.

According to the theory, having a say in goal setting and action plans should ensure better participation and commitment among employees, as well as the alignment of objectives across the organization. The term was first outlined by management guru Peter Drucker in 1954 in his book "The Practice of Management."

The main point of management by objectives is the establishment of an information system to measure actual performance and achievements against the defined objectives in management by objectives.

MBO improves employee motivation and commitment and ensures better communication between management and employees and it is the major benefits of the MBO. But the disadvantage of MBO emphasizes the setting of goals to attain objectives instead of working on a systematic plan.

Peter Drucker set forth several principles. Objectives are determined with the employees and are challenging but achievable. There is daily feedback, and the focus is on rewards rather than punishment. Personal growth and development are emphasized, rather than negativity for failing to reach the objectives [4, p. 65].

Another interesting moment that can be used by the State Enterprise "Ukrspirt" is a strategic alliance. The strategic alliance is an arrangement between two companies that have decided to share resources to undertake a specific, mutually beneficial project.

An advantage of a strategic alliance is that each company maintains its autonomy while gaining a new opportunity. A strategic alliance is less involved than a joint venture, in which two companies typically pool resources to create a separate business entity.

For the State Enterprise "Ukrspirt" it can be useful to create a strategic alliance with the producer of grain crops because it can provide profits from the production for grain producers and for alcohol companies that are a part of the State Enterprise "Ukrspirt" – high-quality raw materials for smaller prices.

Let us overview the aspects of operations management for the State Enterprise "Ukrspirt", which are to create the highest level of efficiency possible within an organization refers to the administration of business practices. The main goal to achieve for a company is to maximize the profit, so operations management is concerned with converting materials (grain) and labour (employees) into alcohol as efficiently as possible. The creation of operations management team at the State Enterprise "Ukrspirt" attempts to balance costs with revenue to achieve the highest net operating profit.

Many strategic issues are handled by operations management:

- determining the size of manufacturing facilities;
- projecting management methods;
- implementing the structure of information technology networks;
- the management of inventory levels, including work-in-process levels and grain acquisition;
- alcohol quality control;
- grain handling;
- maintenance policies.

The use of grain materials and ensuring minimal waste occurs is studying by operations management.

The next step for the State Enterprise “Ukrspirt” is to use the principles of supply chain and logistics. A critical function of operations management relates to the management of inventory through the supply chain. It needs to create an operations management division, which understands local and global trends, customer demand for alcohol and the available grain resources for production. Operations management division approaches the acquisition of grain resources and use of work of employees in a timely, cost-effective manner to deliver customer expectations. Inventory levels are monitored to ensure excessive quantities on hand. Operations management division also is responsible for finding vendors that supply the appropriate grain at reasonable prices and have the ability to deliver the alcohol when needed.

An integral part of the State Enterprise “Ukrspirt” logistics is delivery management. Another large facet of operations management involves the delivery of alcohol to customers. This includes ensuring alcohol are delivered within the agreed time commitment.

This factor also depends on the contact conditions, namely, what is indicated in the contract, under which conditions the Incoterms are supplied with alcohol operations management also typically follows up with customers to ensure the alcohol meet quality and functionality needs. Finally, operations management takes the feedback received and distributes the relevant information to each department to use in process improvement.

Conclusion. Strategic management is an important element of the successful development of the alcohol

enterprise, as it provides analysis of various aspects of the activity and forms a complex of actions for achieving the objectives of the alcohol enterprise.

To improve the situation, which has arisen in the alcohol market, it is proposed to consider the implementation of management changes, which include strategic financial management, supply management, management by objectives, strategic alliance, operations management, supply chain and logistics, delivery management.

To stop the degradation of the enterprises of the alcohol industry in Ukraine, which is determined by the lack of sales markets, termination of the production activities of alcohol companies, it is necessary to begin with the introduction of innovative aspects of strategic management.

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