Modeling the Strategic Choice of the Agro-Industrial Enterprises Under the Current State Agricultural Policy

Elena Rodionova
Department of Finance, Economics and Organisation of Production
Volga State University of Technology
Yoshkar-Ola, Russian Federation
rodionovaev@volgatech.net

Anna Glebova
Department of World Economy and World Finance
Financial University under the Government of the Russian Federation
Moscow, Russian Federation
nauka_rf@mail.ru

Tatiana Baibakova
Department of Economics
Vyatka State University
Kirov, Russian Federation
baybakova@vyatsu.ru

Abstract—Modern science has a significant potential of theoretical and applied research concerning the problems of strategic management of socioeconomic systems at different levels. At the same time, sectoral aspects of strategic management in the agricultural sector at the business level require further development, taking into account modern economic conditions, the need for sustainable development of the sector and enhancing the state's influence on its functioning. Because of the specifics of this sector (regarding both the production process and the market operation process), economic performance is more difficult to achieve than in other economic sectors. Therefore, the strategic component of managing the agro-industrial complex is of significant importance. The central element of the strategic management system of an enterprise is the definition of the strategy. That's why the theme of this study seems to be urgent and practically significant. The strategic management researchers have proposed a number of models that allow to make the strategic choice for the enterprise development for the long term on the basis of analyzing certain indicators and factors. There exist some known two-dimensional models (matrices). Unfortunately, they lack the direct connection between the strategy choice based on the matrix and the strategic analysis that precedes the choice and that includes the study of the internal and external environment of the organization. 3-D matrices increase the validity of the strategic choice but the considered models are not able to provide effective strategic solutions for the enterprises, whose strategic choice due to the industry or other specifics is dominated by the factor that does not have a similar effect in other sectors. We believe that the matrix should also preserve the classical objects of strategic analysis: the external environment and the internal environment, which influence the strategic choice of any enterprise, although it is necessary to make their comprehensive evaluation in view of the influence of the factors which are the most important for a particular industry. Since the strategic development of the agro-industrial complex enterprise is influenced by the agricultural policy of the state, the authors have proposed a 3-D model (three-dimensional model) for choosing a strategy taking into account the evaluation of three parameters: the external environment, the internal environment and the existing agricultural policy. Depending on the enterprise’s current position, the model allows choosing the right strategy from eight possible ones. The proposed 3-D model for choosing the development strategy of the enterprise of the agro-industrial complex will contribute to the informed strategic decision-making, taking into account the most significant factors that influence the enterprise under the current state agricultural policy.

Keywords: strategy, strategic management, agricultural policy, 3-D model (three-dimensional model)

I. INTRODUCTION

The recent years’ economic uncertainty has acknowledged to managers the importance of readiness to change and improve the strategy, constantly monitoring and controlling the internal and external forces, learning to adapt to new economic challenges [1, 2]. That’s why strategic management has become one of the most prominent areas of management nowadays. It includes a comprehensive collection of management actions which support companies to keep the organization consistent with the environment and show the
right way of development. Modern science has a significant potential of theoretical and applied research concerning the problems of strategic management of socioeconomic systems at different levels. At the same time, sectoral aspects of strategic management in the agricultural sector at the business level require further development, taking into account modern economic conditions, the need for sustainable development of the sector and enhancing the state's influence on its functioning.

Sustainable development implies the simultaneous fulfillment of two conditions: the growth of production volumes on the basis of applying innovative technologies and the increase in the competitiveness of the manufactured products [3].

The ability to improve constantly, to support the competitiveness level and to make the necessary innovative changes is one of the most important points of any enterprise activity, including an agro-industrial enterprise, and often it is the decisive factor of the enterprise existence at the market [4-8].

The position of agriculture among other sectors of the economy is rather specific because its importance is irreplaceable in terms of nourishing the population and protecting all the components of the environment. Because of the specifics of this sector (regarding both the production process and the market operation process), economic performance is more difficult to achieve than in other economic sectors [9, 10]. Therefore, the strategic component of managing the agro-industrial complex is of significant importance.

The central element of the strategic management system of an enterprise is the definition of the strategy. That’s why the theme of this study seems to be urgent and practically significant. Since the discussions about the strategy nature and content are still going on in the scientific and practical literature [11], in the context of this article, we consider the strategy as “a process of translating perceived opportunity into successful outcomes, by means of purposive action sustained over a significant period of time” [12].

II. LITERARY REVIEW AND RESEARCH METHODS

The research materials included the materials of the specialists in strategic management and the information about the activities of enterprises in the agro-industrial complex of different countries that made strategic choices at various stages of their development. In the process of the research we have used abstract-logical and expert methods as a part of the systematic approach to the socio-economic phenomena study.

There exists no universal strategy such as the constant building of larger volumes [13]. There are a lot different strategies, presented in scientific literature and educational material [14-21].

The process of choosing the strategy for an enterprise does not lend itself to detailed formalization, because, like strategic management as a whole, it is realized at the interface of the scientific theory of strategic management and management art, taking into account the characteristics of each enterprise, industry or market situation. Nevertheless, the strategic management researchers have proposed a number of models that allow to make the strategic choice for the enterprise development for the long term on the basis of analyzing certain indicators and factors. There exist some known two-dimensional models (matrices) created by I. Ansoff [22], Boston Consulting Group [22], M. Porter [23], General Electric/McKinsey [24], ADL/LC [25], Shell/DPM [22], SIM [26], SPACE [27], and others.

The considered two-dimensional models lack the direct connection between the strategy choice based on the matrix and the strategic analysis that precedes the choice and that includes the study of the internal and external environment of the organization in its generally accepted classical version. Some models use the parameters of the external and (or) internal environment as the analyzed parameters, but they are selective and do not give the overall evaluation of the environment of the enterprise functioning.

3-D matrices that increase the validity of the strategic choice are presented not so widely. Thus, the 3-D matrix developed by Harbridge House consultants uses risk from the major environmental forces [22] as one of the factors. Russian authors E.Yu. Trifonova and Yu.A. Konovalov [28] have also gone beyond the two-dimensional measurement of the factors affecting the enterprise and they have suggested to consider the economic crisis as an additional parameter (in the author's version - "competence").

In our opinion, the considered models are not able to provide effective strategic solutions for the enterprises, whose strategic choice due to the industry or other specifics is dominated by the factor that does not have a similar effect in other sectors. We believe that the matrix should also preserve the classical objects of strategic analysis: the external environment and the internal environment, which influence the strategic choice of any industry enterprise, although it is necessary to make their comprehensive evaluation in view of the influence of the factors which are the most important for a particular industry.

III. RESULTS AND DISCUSSION

On the basis of the above stated, in the 3-D model of the strategic choice of the enterprises of the agro-industrial complex we propose to include the following parameters “External environment”, “Internal environment” and “Agricultural policy” (including government support for the agro-industrial complex) as the most significant factor influencing the agro-industrial complex development.

In fact, government support for the agro-industrial complex is used in all developed countries: its need is caused by the specific features inherent to this sector of economy. This factor plays extremely significant role at the development stage, which is aimed at the significant increase in labor productivity, technological transformation of the industry, increasing product competitiveness and expanding its presence at external agrifood markets. The world experience shows that the agriculture achievements of different countries are the
direct result of purposeful and consistent agricultural policy [29, 30].

The developed 3-D model of the strategic choice of the enterprises of the agro-industrial complex under the modern agricultural policy, which considers two classical elements of strategic analysis: the external environment (P1) and the internal environment (P2), as well as the third parameter - the state agricultural policy (P3), is presented in Fig. 1.

The dimension of the resulting model is 2x2x2. Thus, there are 8 possible options for the strategic position of an enterprise, depending on the model area in which the Q point (P1, P2, and P3) happens to be. The Q point characterizes the evaluation of three parameters.

In the work of E. Yu. Trifonova and Yu. A. Konovalov [28], it is proposed to use for this purpose the expert method taking into account the weighing coefficients of the estimated parameters. We agree with this approach. However, taking into account the importance of various factors of the external and internal environment of the enterprises of the agro-industrial complex, as well as modern agricultural policy, we suggest evaluating the following parameters by an expert method:

\[ P_1 = a_1 X_1 + a_2 X_2 + a_3 X_3 + a_4 X_4, \quad 0 < P_1 < 10 \]  \hspace{1cm} (1)

where \( a_i \) is the weighing coefficient of the indicator \( X_i \) - the indicator values, \( 0 < a_i < 1; X_i \) - the indicator values, \( 0 < X_i < 10 \).

The coordinate P2 in the 3-D model is calculated according to the following formula:

\[ P_2 = b_1 Y_1 + b_2 Y_2 + b_3 Y_3 + b_4 Y_4, \quad 0 < P_2 < 10 \]  \hspace{1cm} (2)

where \( b_j \) is the weighing coefficient of the indicator \( Y_j \) - the indicator values, \( 0 < b_j < 1; Y_j \) - the indicator values, \( 0 < Y_j < 10 \).

The coordinate P3 in the 3-D model is calculated according to the following formula:

\[ P_3 = c_1 Z_1 + c_2 Z_2 + c_3 Z_3 + c_4 Z_4, \quad 0 < P_3 < 10 \]  \hspace{1cm} (3)

where \( c_k \) is the weighing coefficient of the indicator \( Z_k \) - the indicator values, \( 0 < c_k < 1; Z_k \) - the indicator values, \( 0 < Z_k < 10 \).

The areas boundaries of the 3-D model are presented in Table I.

**TABLE I. COMPARATIVE ANALYSIS OF INNOVATION AND DIVERSIFICATION CHARACTERISTICS (COMPOSED BY AUTHORS)**

<table>
<thead>
<tr>
<th>The Area of the Model</th>
<th>The Areas Boundaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>{Q</td>
</tr>
<tr>
<td>2</td>
<td>{Q</td>
</tr>
<tr>
<td>3</td>
<td>{Q</td>
</tr>
<tr>
<td>4</td>
<td>{Q</td>
</tr>
<tr>
<td>5</td>
<td>{Q</td>
</tr>
<tr>
<td>6</td>
<td>{Q</td>
</tr>
<tr>
<td>7</td>
<td>{Q</td>
</tr>
<tr>
<td>8</td>
<td>{Q</td>
</tr>
</tbody>
</table>

The features of possible strategy types are presented in Table II.

The order of the strategies in the 3-D model reflects the quantitative and qualitative composition of the factors affecting the enterprise. For example, the area No. 1 of the 3-D model implies the use of the retrenchment strategy, since in this case the enterprise operates in very unfavorable conditions.
environment according to all three parameters: \( Q(P_1, P_2, P_3); 0 < P_1 < 5; 0 < P_2 < 5; 0 < P_3 < 5 \). And vice versa, the area No. 8 of the 3-D model implies the use of the intensification strategy, since in this case the enterprise uses the maximum number of resources according to all three parameters: \( Q(P_1, P_2, P_3); 5 < P_1 < 10; 5 < P_2 < 10; 5 < P_3 < 10 \). Thus, in Tables I and II, all the strategies are located with the increase of the quantitative and qualitative characteristics of the environment in which the enterprise of the agro-industrial complex operates.

The first block of the strategies (strategies 1-4) is characterized by the complete absence of the state support or its minimum presence - the plane of parameters P1 “External environment” and P2 “Internal environment”.

The second block of the strategies (strategies 5-8) implies the adjustment of the current situation at the enterprise by direct or indirect state regulation within the framework of the agricultural policy implemented in the country (parameter P3 “Agricultural policy”).

### IV. CONCLUSION

We consider that the proposed 3-D model for choosing the development strategy of the enterprises of the agro-industrial complex will contribute to the informed strategic decision-making, taking into account the most significant factors that influence the enterprise under the current state agricultural policy.

For example, the modern Russian agricultural policy, aimed at import substitution and creation of a highly productive export-oriented sector in the agro-industrial complex, forms the field of choosing the strategies located at areas 5-8. The trajectory of the enterprises strategic development in these areas of the model is associated with various ways of economic growth leading to the improvement of the enterprise internal potential, to the output increase, to the improvement of the products competitiveness, to the expansion of its product range and to the development of an export market in short or long-term.

### ACKNOWLEDGMENT

Authors thank the anonymous peer reviewers for their insightful comments and suggestions.

### REFERENCES


