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FINANCIAL STRATEGY DEVELOPMENT PROCESS

Abstract. The article aims at defining the theoretical and methodological provisions and justifying the practical recommendations for the development of financial strategy of enterprises.

The financial strategy development is an absolute imperative for ensuring its organizational and economic development of the enterprise operating in the current economic environment. The financial strategy can be defined as a complex long-term plan for the organization of systemic activity for achieving its financial goals through the formation, allocation (reallocation) and use of financial resources.

The financial strategy can be defined through its specific characteristics: subordinate and supporting character in the hierarchy of the company strategic pyramid in relation to the general corporate strategy; penetrating all other varieties of strategies of the company, creating financial support and provision for their implementation; strategic long-term orientation; is based on the results of the analysis of strategic financial information; is developed and adjusted on the basis of system-situational approach.

The financial strategy development is a long and complicated process covering financial analysis of external and internal environment; definition of the strategic financial goals; financial strategy development in the following areas value-based management, accounting, asset management, cash flow management, credit policy, investment policy, financial risk management, dividend policy; financial strategy implementation and monitoring.

Keywords: accounting policy, asset management, cash flow management, dividend policy, financial strategy.

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ПРОЦЕС РОЗРОБЛЕННЯ ФІНАНСОВОЇ СТРАТЕГІЇ

Анотація. У сучасних умовах розроблення комплексної обґрунтованої фінансової стратегії є безумовним імперативом і передумовою не лише організаційно-економічного розвитку, а й функціонування підприємств. Фінансову стратегію підприємства можна визначити як комплексний довгостроковий план організації системної діяльності з досягнення його фінансових цілей шляхом формування, розподілу (перерозподілу) і використання фінансових ресурсів. Метою статті є визначення теоретико-методологічних положень та обґрунтування практичних рекомендацій розроблення фінансової стратегії підприємств.

Процес розроблення фінансової стратегії підприємства характеризується високим рівнем складності, що обумовлено необхідністю і доцільністю здійснення поліаспектного аналізу, визначення перспективних стратегічних напрямів підприємства на основі встановлених довгострокових цілей функціонування, здійснення діагностики внутрішнього і зовнішнього середовища та потенціалу підприємства, дослідження конкуренто-спроможності, прогнозування його розвитку, і охоплює такі стадії: фінансовий аналіз внутрішнього і зовнішнього середовища; визначення стратегічних фінансових цілей; розроблення фінансової стратегії за такими напрямами: управління вартістю підприємства; бухгалтерський облік; управління активами; управління грошовими потоками; кредитна політика; інвестиційна політика; управління фінансовими ризиками; дивідендна політика; реалізація стратегії та моніторинг.

Ключові слова: дивідендна політика, облікова політика, управління активами, управління грошовими потоками, фінансова стратегія.

Формул: 0; рис.: 1; табл.: 0; бібл.: 10.

Introduction. The current dynamic economic conditions impose an urgent need for the introduction of long-term management programs for financial processes or financial strategies that ensure achievement of corporate goals through effective use and comprehensive proactive management of financial resources and capacity of enterprises. The importance of the sound financial strategy increases, because functioning of enterprises is characterized by complexity, uncertainty, characteristic features of products and high risk. The development of financial strategies provides a basis for achieving and evaluating the results of the strategy implementation in terms of maximizing the company value. In addition, the long-term financial strategy facilitates increase in the strategic financial stability of enterprises in a changing market situation.

Analysis and statement of the research problem. The scientific basis for the development of theoretical, methodological and practical aspects of the financial strategy development is represented in the works of Ukrainian and foreign scientists such as D. Aaker, I. Ansoff, J. Barney, C. Bowman, T. Golovko, B. Karloff, G. Kindratska, J.-J. Lambin, H. Mintzberg, A. Nalyvaiko, A. Podderihin, M. Porter, G. Stonehouse, A. J. Strickland, D. Teece, A. A. Thompson, A. Chandler, D. Schendel, Z. Shershnyova, K. Andrews and others.

The purpose of the article is to determine the theoretical and methodological provisions and to ground the practical recommendations for the development of financial strategy of enterprises.

Results of a research study. The process of financial strategy development for an enterprise is defined by a high degree of complexity due to the necessity and feasibility of conducting poly-dimensional analysis, identifying forward-looking strategic directions of the enterprise functioning on the basis of the established long-term goals of functioning, diagnostics of the enterprise internal and external environment and capacity, level of its use and development prospects, competitiveness research, forecasting its development, etc.

In general, the theoretical basis of the strategy is not defined unambiguously: it is a system of goals, set of rules, plan, direction [1, p. 37]. At the same time, the definitions agree that the strategy has a long-term and purposeful nature [2, p. 51]. Based on the abovementioned, it can be concluded that the main characteristics of the strategy are: purposefulness; system approach; long-term perspective. The strategy development is complex because of the necessity to consider the aggregate of dynamic, fuzzy, not always formalized goals, impact of the changing internal and external environment [3, p. 112].

The financial strategy can be defined as a complex long-term plan for the organization of systemic activity for achieving its financial goals through the formation, allocation (real location) and use of financial resources. It is aimed at maximizing the company value through effective management and comprehensive proactive management of its financial resources. In this context, the financial strategy covers four areas: revenue management, cost management, ensuring liquidity and financial security of the enterprise, and the management of the financial department. By its functional essence, the financial strategy covers the diagnostics and analysis of the current and forecasting of the prospective financial position of the company, optimization of current and non-current assets, use and attraction of own and borrowed funds, determines the policy of income distribution, tax and price policy, depreciation and dividend policy, policy in the area of securities, establishment of financial provision of the activity of the enterprise etc. [4, p. 76].

The specific features of the financial strategy cover the following its characteristics [5, p. 53; 6, p. 47]:

- is of a subordinate and supporting character in the hierarchy of the company strategic pyramid in relation to the general corporate strategy, therefore, should be consistent with its objectives and directions;
- penetrates all other varieties of strategies of the company, creating financial support and provision for their implementation;
- strategic orientation;
- is based on the results of the analysis of strategic financial information;
- is formed and adjusted on the basis of system-situational approach.

The role of the financial strategy of the company is as follows [6, 7]:

• financial support for the implementation of strategies at all levels and the functioning of the company: the financial strategy is responsible for finding a sufficient amount of resources for the activity of the construction company;

• ensuring the effective use of the resource capacity of a company: managing financial resources in such a way as to obtain the maximum effective output (without loss for the main activity type) and maximize the value of the enterprise;

• ensuring the implementation of credit and investment opportunities;

• proactive response to changes in environmental factors;

• effective asset management: ensuring the optimal volume and structure of assets, taking into account the strategic prospects for the development of a company;

• financial risk management: analysis and evaluation of financial risks of a company, introducing timely measures to mitigate them;

• based on the use of monetary indicators is a basis for formulating, executing and evaluating the results of a corporate company strategy.

The financial strategy is developed based on the use of financial methods and tools. In the framework of the study they can be grouped under the following areas: analysis of alternatives; assessment; optimization; control; forecasting. The methods of alternatives analysis cover methods of information gathering, analytical, statistical and econometric methods, matrix methods etc. The assessment uses methods of expert assessments, network and cost analysis, scoring methods. The optimization is carried out by methods of logical, physical or economic-mathematical modeling. The control is carried out by using methods of documentary and factual verification, key performance indicators method and the system of balanced indicators. The forecasting is done through the use of the scenario methods, simulation modeling, extrapolation, mathematical programming [7, p. 59; 8, p. 49].

The process of the financial strategy development is a multistage and complex activity for making totality of optimal financial strategic decision, the general vision of which is summarized in *Fig*. The diagnostics of financial position of the enterprise establishes the fundamental basis for making strategic financial decisions and financial strategy development. It covers analysis of

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external environment, which establishes area for financial strategy development and implementation, and internal environment, which defines internal company variables of the company financial strategy. The internal environment analysis shall focus on: the general corporate company strategy to ensure that the financial strategy is coherent with the general development direction of the company and facilitates its implementation; available company resources and capacity; deep analyses of the financial performance company indicators based on the quarterly and annual financial reporting, which as a whole determine the quality of the taken strategic financial decisions.

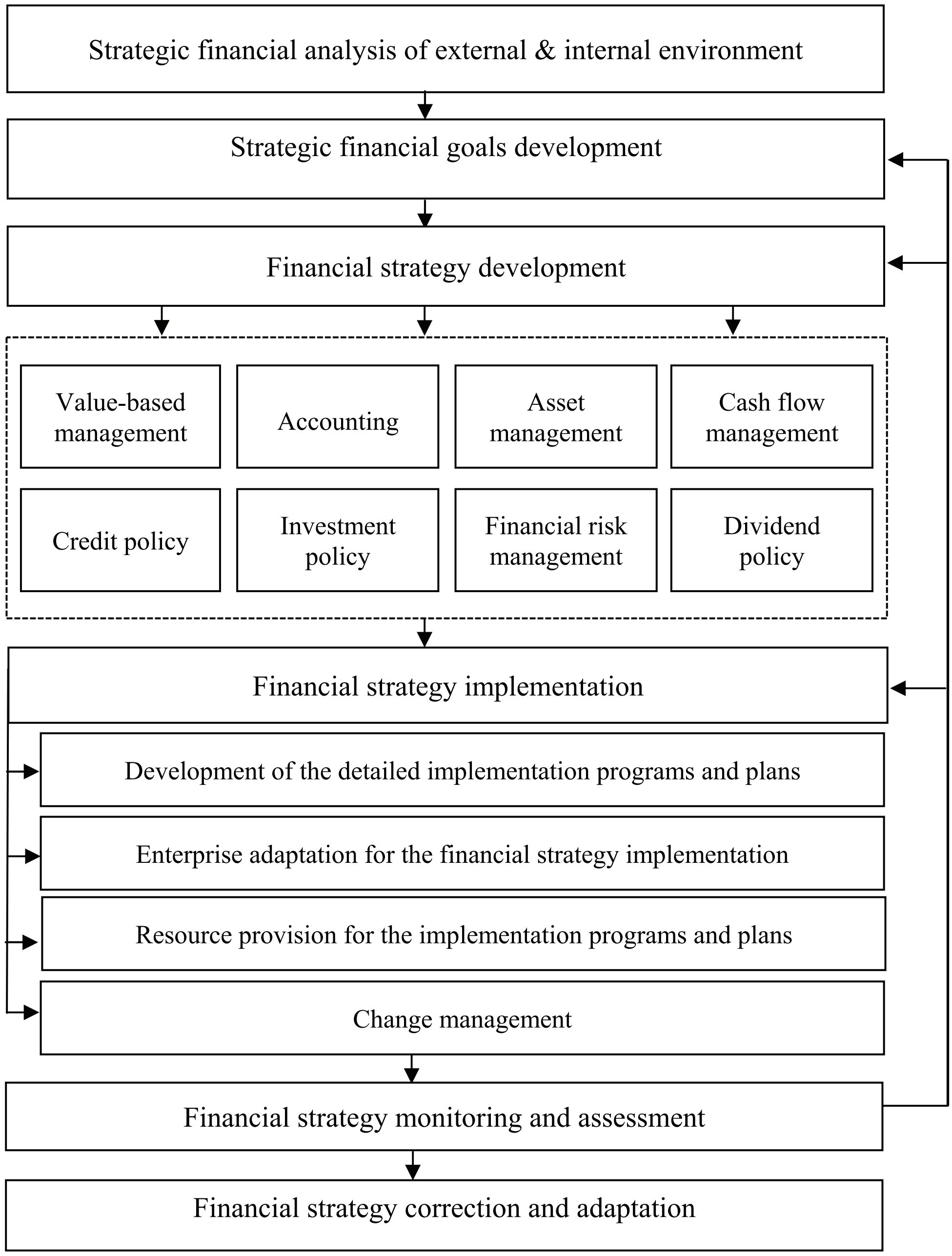

Fig. Financial strategy development process

Source: proposed by authors.

It should be noted that the financial analysis shall cover the following aspects:

- analysis of the absolute indicators of the company financial statements;
- horizontal analysis, which includes comparison of indicators from the financial statements with indicators of previous periods. The most common methods of horizontal analysis include the following ones: simple comparison of reporting items and analysis of their dramatic

changes; analysis of changes in reporting items compared to the changes in other items, including paying special attention to cases when a change in one indicator by economic nature does not correspond to a change in another indicator;

- vertical analysis to identify the share of individual reporting items in the total final indicator and compare the result with the data from the previous period;
- trend analysis, based on the assessment of the relative deviations of the reporting indicators for a number of years from the basis year level;
- calculation of financial indicators and ratios and their analysis in terms of their improvement, stability or deterioration, including comments for reasons of their characteristic features.

The deep analysis of mentioned areas defines the overall direction for the financial strategy and strengths and weaknesses of the current financial position of the enterprise as well as threats and opportunities for implementing the financial strategy.

Based on the integrated analysis results of the synergy totality of company internal and external factors and subsequent definition of the company strategic financial position the strategic financial goals of the enterprise shall be developed. The main goal of financial management is to maximize the market value and profit of the enterprise, which requires a certain level of specification, taking into account the objectives and features of the future vector of financial and general development of the enterprise. The objectives of the financial activities of an enterprise may cover the following ones: establishment of the necessary level of financial resources for achieving the general enterprise-wide strategic goals; ensuring the effective use of financial resources for various types and areas of activity of the enterprise; optimization of the enterprise cash flow; providing an effective level of profit; establishment of an optimal asset and equity structure, etc.

The collected and analyzed strategic financial information is the basis for the financial strategy development in the following areas: value-based management; accounting; asset management; cash flow management; credit policy; investment policy; financial risk management; dividend policy.

The value-based management constitutes introduction of measures in the framework of financial strategy aimed at maximizing company market value through ensuring sustainable and profitable revenue growth.

The financial strategy accounting component is the extremely important for the performance of the enterprise since the strategic decisions taken in this area directly affect the number and amount of taxes transferred, the structure of the balance sheet and other financial statements, values of a number of key financial and economic indicators. This all is reflected in the accounting policy of the enterprise, which according to IAS 8 and National accounting standards (provisions) consists of the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements [9]. In other words accounting policy is the key corners tone document that defines and regulates the methods of accounting used in the reflection of business transactions (primary observation, cost assessment, current grouping and the final summary of the facts of economic activity). Traditionally accounting policy is approved in the special enterprise order. When determining the accounting policy, an enterprise has an option mainly relating to the methods for writing off raw materials and materials in production, methods for assessing work in progress, the possibility of using amortization options, options for establishing repair and insurance funds, etc. This element of financial strategy is especially important because of the new amendments to the Law of Ukraine on «Accounting and financial reporting in Ukraine» of 05.10.2017, which in line with EU legislation introduced the new definition of «public interest entities» and new reporting requirements for this category of enterprises.

According to the Article 12^1 of the Law of Ukraine on «Accounting and financial reporting in Ukraine» «public interest enterprises, public joint stock companies and enterprises carrying out extraction of mineral resources of national importance as well as enterprises that carry out economic activities by types of activities, the list of which is determined by the Cabinet of Ministers of Ukraine, shall prepare and submit financial statements and consolidated financial statements to

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the government authorities and other users, at their request, in accordance with the procedure established by this Law and on the basis of financial reporting taxonomy under international standards, in the unified electronic format specified by the central executive body in charge of formation and implementation of national policy in accounting». The Ministry of Finance of Ukraine and three financial sector regulators, including National Bank of Ukraine, National securities and stock market commission and National Commission for the State Regulation of Financial Services Markets approved and published on their web-sites the UA XBRL IFRS reporting taxonomy, which shall be used for preparing their financial statements to be submitted through the Financial reporting system (hub), that is being currently constructed and will be in operational management of the National Securities and Stock Market Commission [10]. When developing the accounting policy of an organization, it is recommended to choose such methods for calculating the cost, which provides the most visual representation of the structure of production costs, the level of fixed and variable costs, the share of commercial expenses and is the basis for cost management at the enterprise.

The asset management covers issues on optimization of the amount, composition and structure of the enterprise's current and non-current assets in terms of efficiency of their complex use, ensuring asset liquidity management,accelerating their turnover cycle, choice of effective forms and sources of their financing and ensuring that enterprise's tangible and intangible assets are maintained, accounted for, and put to their highest and best use.

The cash flow management is aimed at optimizing the company's cash flows in the terms of operational, investment and financial activities, their synchronization in terms of volume and in time for individual upcoming periods, the effective use of the balance of temporarily free monetary assets to ensure timely availability of financial resources for the operational and investment activities of the enterprise.

The credit policy shall be developed based on the analysis of the structure of the balance sheet liabilities and the ratio of own and borrowed funds, which define the sufficiency of its own funds and current assets or on their insufficiency and the decision on borrowing. In the process of the credit policy development it is necessary to calculate the need for borrowed funds (in its absence — the possible benefit from their involvement); to choose the right credit institution (based on the availability of a license, the size of the interest rate, methods for its calculation — complex or simple interest, maturity dates, forms of loan issuance, reputation on the securities market, conditions for the prolongation of loans, etc.); prepare a plan for the repayment of borrowed funds and the calculation of the interest amount based on the specifics of profit taxation.

The investment policy envisages defining the most important areas of the investment activity of the enterprise, assessment of investment attractiveness of real projects and financial instruments to establish real investment programs and portfolio of financial investments, choice of the most effective forms of investment financing.

The financial risk management covers the complex of actions on identification, forecasting of possible individual financial risks and their mitigation.

The dividend policy regulates the procedure for the determination of the profit share allocated for payment of dividends, their calculation methodology and pre-conditions for their payment. The aim of the dividend policy is to find the appropriate balance between protection of the interests of the shareholders, creation of prerequisites for growth in the stock price and share of profits reinvested in production development.

The financial strategy implementation is the next logical summary stage of the previous development stages, which is the materialization of the previously taken decisions and which covers development of detailed programs and plans for implementing the strategy, justification of resource provision for programs and plans for implementing the strategy, change management and adaption of the enterprise to the strategy implementation (including determination of rights, duties and measures of responsibility of managers for the results of the financial activities of the enterprise; establishment of the optimal organizational structure of the enterprise; and the development of the efficient financial structure model by assignment of the relevant financial responsibility centers (i.e.

revenue, cost, profit, investment centers; development of an system of employee motivation, hiring/training personnel in the area of financial management, stimulation of the implementation mechanism, provision the implementation process with the necessary resources and authorities, creating an optimal budget for the strategy implementation). The financial strategy implementation process shall be penetrated by monitoring, which is a continuous cyclical process of studying the effectiveness of implementing measures, based on systematic tracking, explaining deviations and changes in performance indicators at the "monitoring points" of the strategy implementation and comparison with the planned indicators may lead to introduction of corrective actions, modification of goals, revision of plans, redistribution of tasks and reallocation of resources.

Conclusions. Taking into account all the mentioned above it can be stated that financial strategy development is an absolute imperative for ensuring its organizational and economic development. The financial strategy can be defined as a complex long-term plan for the organization of systemic activity for achieving its financial goals through the formation, allocation (reallocation) and use of financial resources. Its development is a long and complicated process covering strategic financial analysis of external and internal environment; definition of the strategic financial goals; financial strategy development in the following areas value-based management, accounting, asset management, cash flow management, credit policy, investment policy, financial risk management, dividend policy; financial strategy implementation and monitoring.

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