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## STRATEGIC MANAGEMENT OF LIGHT INDUSTRY ENTERPRISES (LEATHER ENTERPRISES CASE STUDY)

*The article considers the theoretical aspects of strategic management and determines the essence and the features of strategic planning within enterprise management. The current trends in light industry and its leather subsector in Ukraine were analyzed. The potential and the development prospects of leather industry in Ukraine are revealed.*

*Keywords: strategic management; light industry; leather enterprise.*

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## СТРАТЕГІЧНЕ УПРАВЛІННЯ ПІДПРИЄМСТВАМИ ЛЕГКОЇ ПРОМИСЛОВОСТІ (НА ПРИКЛАДІ ШКІРЯНИХ ПІДПРИЄМСТВ)

*У статті розглянуто теоретичні аспекти стратегічного управління, визначено сутність і особливості стратегічного планування в межах управління підприємствами. Проаналізовано сучасні тенденції розвитку підприємств легкої промисловості України та шкіряних підприємств зокрема. Виявлено потенціал та перспективи розвитку шкіряної промисловості України.*

*Ключові слова: стратегічне управління; легка промисловість; шкіряне підприємство.*

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## СТРАТЕГИЧЕСКОЕ УПРАВЛЕНИЕ ПРЕДПРИЯТИЯМИ ЛЕГКОЙ ПРОМЫШЛЕННОСТИ (НА ПРИМЕРЕ КОЖЕВЕННЫХ ПРЕДПРИЯТИЙ)

*В статье рассмотрены теоретические аспекты стратегического управления, определена сущность и особенности стратегического планирования в рамках управления предприятиями. Проанализированы современные тенденции развития предприятий легкой промышленности Украины и кожевенных предприятий в частности. Выявлены потенциал и перспективы развития кожевенной промышленности Украины.*

*Ключевые слова: стратегическое управление; легкая промышленность; кожевенное предприятие.*

**Problem setting.** Production is characterized by far not complete application of management factors that are to provide its increasing efficiency, improved structure, introduction of new technology and advanced production management methods. Under these conditions it is necessary to search for new approaches to financial recovery and industrial development.

One of such approaches is business strategic management. At the heart of strategic management is the strategy of industrial production development, that is responsible for long-term contributing to adaptation to market realities in order to respond to changes in both internal and external environment. That is why introduction of strategic management is one of the key tasks and preconditions necessary to ensure the effectiveness of industrial production.

Among industrial economic activities that facilitate the production of consumer goods, the light industry takes the leading position; its production capacity includes

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17 types of economic activity, more than 10,000 companies and organizations (The concept of the State program of light industry..., Resolution of the Cabinet of Ministers of Ukraine of 27.12.2006 # 673-p). In terms of social reorientation of the economy, this kind of economic activity plays the leading role in the improvement of people's lives. To improve the functioning of the light industry, to ensure its sustainable development and prevent production recession, enterprises management should accumulate and apply best international experience in strategic management.

**Latest research and publications analysis.** Over the last 40 years, a great number of special investigations and monographs abroad were dedicated to theoretical and practical aspects of strategic management. The following scientists have made great contribution to the formation and development of this branch of management science: I. Ansoff (1989), H. Mintzberg and A. McHugh (1985), A. Thompson and J. Strickland (1998). They in particular made a lot of efforts to identify and formulate the fundamental features of strategic business management.

Among domestic scientists who contributed to the theoretical research on methods and models of strategic management, we would like to mention the following: O.Ye. Kononova (2013), S.A. Popov (2010), L.M. Romaniuk (2009), Z.S. Shershneva and S.V. Oborska (2004), V.S. Simonova (2010), O.S. Vihanskyi (2007), T.M. Yanikovets (2009).

Despite the large number of scientific achievements in theory and practice of strategic management, there are still some issues that remain under ongoing discussion and in scientific elaboration.

**The goal of this article** is to explore the nature and the features of strategic management. We aim to analyze the current trends in the light industry and at leather enterprises of Ukraine specifically, and to justify the need for leading strategic management experience application in order to ensure the competitiveness of domestic enterprises.

**Key research findings.** For a long time people have been studying and analyzing the phenomena of strategies and tools to solve problems, because they wanted to know what to do tomorrow, the day after tomorrow, in the long term, manage processes occurring at enterprises and around them. To solve this problem, the theory and the practice of management have created strategic management (theory – the concept of strategic management as such, practice – different patterns of strategic management systems).

Strategy is a specific management plan of actions aimed to achieve the set of goals. It defines how organization will operate and evolve, and what business, competitive and functional actions will be taken to ensure the desired state of affairs.

Strategy is often related to a position at markets, with measures to strengthen this competitive position and increase market share, to fight for new markets etc. in a broader definition, strategy is a specific position of a company in the environment defined by concrete indices; it is a peculiar point of view on internal and external environments and an attempt to find ways to adapt effectively to external factors which are uncontrollable for an enterprise as well as the implementation of necessary changes to the internal environment elements and their combinations.

Strategy is considered as a model, which an enterprise aspires to derive. Mostly, a prosperous company is taken as a sample, its positive aspects are analyzed and its

experience is adopted. For instant, such an approach was once used by Japanese company "Komatsu Ltd" which studied the activity of American company "Caterpillar". "Caterpillar" then occupied 60–70% of the world market of agricultural, transport, construction and other machinery. Today "Komatsu Ltd" is the main competitor of its "sample" driving it out of the markets (CATERPILLAR/BUYRUS, Case No COMP/M.6097, ec.europa.eu).

There are many types of strategies used by enterprises in planning nowadays. World experience in strategic planning gives us the possibility to identify two strategies: Strategy of American companies based on a differentiated approach to assessing products characteristics, satisfying consumers and providing prime cost of production; Japanese business strategy based on profit from invested capital and establishment of enterprise employees union.

Economic situation in Ukraine makes us use new methods in planning and analysis for enterprises management. New management system that combines tactical and operational management and a new element – strategic management.

In general, during the implementation of a development strategy there can be a lot of problems in terms of the nature of changes and their impact on production and economic activity. To avoid these types of problems one need to follow the following principles:

1. The principle of feedback between the stages of strategy development and of its implementation. Thus, the result of a chosen strategy will depend on methodological approach used during strategy formation.

2. Integration of developed strategies according to structural units and areas of activities in which it is supposed to be implemented. Thus, between enterprise potential and the chosen strategy there should be a state of dynamic equilibrium, not the acceptability of one by another.

3. Availability of accurate and timely information for the problems to be resolved while achieving strategic priorities.

Implementation of any strategy anticipates certain tactical decisions in relatively short periods of time. Therefore, strategies creation must be supported by tactical planning which ensures consistent implementation of strategic objectives.

Today, the results of industrial subjects activity depend largely on the use of effective market mechanisms of management and business development. However, the prolonged crisis, poor material and technical base of production make it impossible to fully improve both macro- and microindicators and increase competitiveness of products at both domestic and foreign markets.

Light industry, which products are aimed at qualitative satisfaction of consumer's individual needs is an essential and necessary segment of the industrial complex of Ukraine; it is one of the indicators of population welfare and it provides significant revenues. The economic status of the light industry affects national economy overall and the to some extent country's place in the world economy. For efficient activity of enterprises in the competitive environment it is necessary to form organizational and economic mechanism based on the systematic study of the market and consumer needs. This requires a detailed analysis of strategic management of enterprises, adapted to the problems of economic development of Ukraine, its transformation in accordance with market principles and forming of strategic views on enter-

prises' improvement that would correspond to business environment of the industrial complex.

In recent years, the light industry of Ukraine faced a number of problems which led to steady deterioration of its activities. The main reasons were financial crisis, inequality in the tax system, the existence of the so-called "gray" imports, which along with reduced competitiveness of domestic products and consumer demand for them resulted in some devastating consequences.

According to the State Statistics Service of Ukraine, in 2014 the light industry reduced its rates to 1.4%, while in 2013 its decline was 5.9%, which could be considered as a positive trend. However, if we look at the light industry in a crosscut, we can see that not all types of economic activity in it are equally responsive to economic situation in the country. Thus, the textile industry and clothes production had a growth for 3.9% and 2.0% respectively in 2014. Although it had negative indices (reduce to 6.6% and 4.8% respectively) in 2013. Tanning hides and leather decoration; production of travel goods, handbags, saddlery products; chaffing and dyeing of fur grew by 13.2% in 2013, and in 2014 – declined by 18.6%. Only weaving and shoes production had a steady downward trend in the recent years (Indices for industrial output..., ukrstat.org). There is a general impression about a decrease in the light industry. The main reason for these changes is an increase in specific military needs at domestic market.

Leather industry is the most important type of economic activity in the light industry after textile. This is a very old type of economic activity in Ukraine. Leather enterprises are located mostly in Kharkiv, Kyiv, Lviv, Vasylkiv (Kyiv region), Berdychiv, Mykolayiv. Imitation leather is also produced in Kyiv, Ternopil, Zaporizhzhya, Lutsk, leatherette – in Odesa.

There are about 150 small and large leather enterprises of different ownership forms in Ukraine. By regions, they are concentrated mostly in: Kyiv and Kyiv region – 31 companies, Lviv region – 21, Mykolaiv region – 17, Kharkiv region – 14, Ivano-Frankivsk region – 10 companies. In other regions the number of leather enterprises is less than 10 or none (Directory of economic activity. Production of leather, b2btoday.com.ua).

Total annual production capacity of the leather for the past 6 years ranged from 2,500 to 4,000 sq. meters (Manufacture and sale of distinct type..., ukrstat.org). leather manufacture in Ukraine is export-oriented, mostly on such countries as Belarus, China, France, India, Italy, Poland and Russia.

Production of textile, cloths, leather, leather goods and other materials as compared to the entire industry occupies 0.7–0.8% of the sales for the analyzed period (Figures 1–2).

"Chinbar" PJSC, "Leather Company "Svitanok"" PJSC, "TOMIG" LLC and Company with foreign investment "Spillover" LLC are the leaders at the market of leather goods both in the region and in Ukraine.

The market in which the analyzed companies operate nowadays is in the state of recession. This situation is the result of the economic crisis during 2009–2010, political and economic situation and military operations in Ukraine during 2013–2015, which led to the decrease of customer's solvency and, consequently, to the decrease of demand for leather and leather products both at external and internal markets.

Another factor that greatly affects the decrease of demand for products of domestic production is continuous strengthening of importers' position in Ukraine. In particular, the main importer of leather products is China, its import volumes are 69% of the total in money terms.

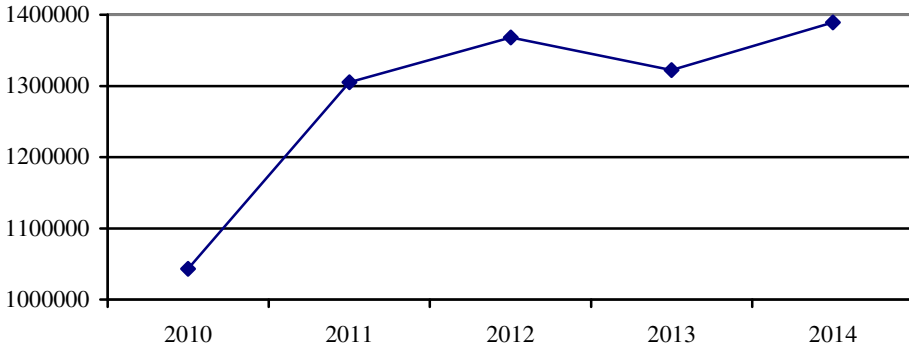


Figure 1. Industrial products volume in 2010–2014, mln UAH, authors' construction, state statistics data (ukrstat.org)

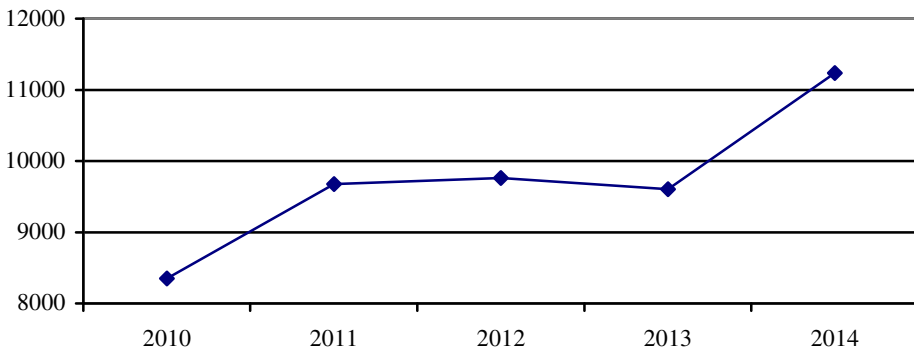


Figure 2. Production of textile, cloths, leather, leather goods and other materials volume in 2010–2014, mln UAH, authors' construction, state statistics data (ukrstat.org)

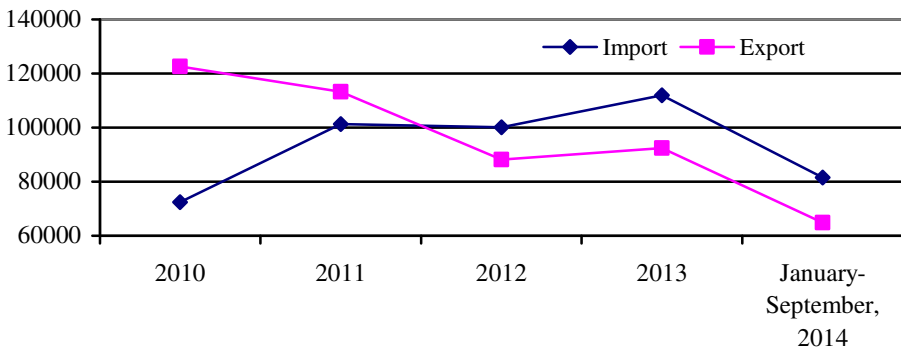


Figure 3. Hides and leather goods import and export during 2010–2014, ths USD, authors' construction, state statistics data (ukrstat.org)

Figure 3 shows that the export of hides and leather goods is continuously reducing. In 2010 and 2011 the export exceeded import by 50,139,000 USD and 11,988,000 USD respectively. However, in 2012 the number of imported goods exceeded exports by 11,966,000 USD and the trend continues.

The presented information shows that Ukrainian light industry enterprises have sufficient capacity to increase output, but they are unable to compete with foreign manufacturers that have definitely better financial and investment base, are using advanced equipment and new technologies. All these advantages become particularly apparent in standard, undifferentiated goods such as clothing, shoes and the like.

The problem of domestic enterprises adaptation to changing environment is mostly about insufficient training for managers, most of them have no serious practical experience in strategic management and organizational change. The introduction of Western models and technologies of strategic management within domestic economy somehow fills this gap, however, it is accompanied by a number of negative moments including:

- mechanic copying of other countries practices;
- transferring of entirely unsuitable for local conditions, methods and approaches;
- using not the best foreign management practices (often in a rather twisted form), neglecting the developed countries positive experience;
- implementing own but incorrect management methods.

The introduction of foreign experience, concepts and mechanisms of strategic management can be highly effective only if it is really progressive experience which is used in compliance with the conditions of a particular company. In addition, strategic management systems (approaches, methods, computer programs) should be sufficiently flexible to adapt to sudden changes in external environment. So we should keep in mind that many companies are in transition period, and highly dynamic economic environment, in which they are operating, significantly complicates the process of making strategic decisions.

**Conclusions.** In order to be successful in competitive struggle, domestic enterprises of the light industry should choose a development strategy, based on the priority of active behavior of an organization relatively to dynamic environment. Obviously, the right choice of a strategy for a company depends on many external and internal factors. However, combination of a chosen strategy with effective mechanism of its implementation will ensure competitive market position and overall sustainable development of the light industry in Ukraine.

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