

## SYSTEM OF THE ENTERPRISE ECONOMIC POTENTIAL ENHANCEMENT PLANNING

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*Abstract.* The article presents a system of planning increase the economic potential of an enterprise. On the basis of a systems approach to the planning process proposes a list of logically interrelated steps that allow to create an integrated system of decision-making. The author proposed a definition of the essence of strategic planning as the variety of planned activities in the enterprise. It also includes a generalization of the long-term, medium-term, the current (annual), operational planning. Author states, that according to prognosticated information and taking into consideration internal firm's capacities, the senior executives of the firm do prognostications for production items. On this basis the volume of production is determined and then the draft of the financial plan and the plan of materials supply and raw materials supply are drawn up.

*Keywords:* system planning, economic potential, prognosis, stages of planning, strategic planning.

### 1. Introduction

Market conditions, under which machine building plants have been working for more than 10 years, emphasize the importance of long-term development programs both for the whole country and for the particular enterprise. The problem of formulating development plans is especially acute. Non-availability of methodology for planning at the enterprises, pursuit of "instant" problem solving, decrease in qualified planners and absence of succession caused substantial gap in plan-formulating work, and, as a result, in the whole economic work of the majority of machine building plants.

As a result, if even enterprises formulate some plans, they (the plans) are, as a rule, operative, accounted on particular buyer and formulated according to earlier concluded agreements on goods supply. Certainly, such plans do not (and can not) contain long-term (or medium-term) measures directed to development, economic potential enhancement. Such organization can be acceptable only in small-sized enterprises, which do not presume long life of goods and services at the market. What concerns plants of machine building industry, which is the biggest and key industry of national economy, the nowadays situation does not point to the fact that there is an effective system of development planning for enterprises. Non-availability of plans for development, of strategic management system cast doubt on the maintenance of national sales market and its survival in a long-term perspective.

### 2. Multilevel system of enterprise potential enhancement planning as an element of strategic management.

After studying the system of enterprise economic potential enhancement planning in our dissertation research we think that it is possible to concern such a system in a framework of the entire system of strategic management and planning at the enterprise. This fact is, to our mind,

evident and does not require additional comment. So, all qualities, advantages and disadvantages of senior system are characteristic of the potential rise system.

One of the most significant methodological problems connected with planning at the machine building plants has been the problem of linking together differently directed plans. Thus, big company management system operates in two-regime system: in regimes of strategic and current management. It is necessary to admit, that most authors characterize management system on the basis of comparison of strategic and operative management. To our mind two-element system is not capable of living under condition of environment permanent changes because there is evident gap between strategic long-term goals (and corresponding plans) and operative ones. So, we think it would be reasonable to introduce correctives, because it is more logical to compare strategic and tactical (medium-term, short-term and operative) management and formulate multilevel management system.

While speaking about new, multilevel system of enterprise potential enhancement planning as an element of strategic management, which combines different kinds of planning and levels of enterprise management, it is necessary to pay attention to solution of the following problems:

1. Planning process must be relatively simple theoretically and practically. It must be divided into separate stages. At each stage main kinds of activities, responsibility and participation of divisions are determined. Specially arranged organizational structures, such as commissions, committees, conferences, will help reach stabilization in making decisions connected with planning.

2. It is necessary to predict the possibility to use internal and external development sources. For instance, bank credits, on condition that there are substantial reasons for using them, are one of the most important sources of enterprise development, used in a lot of highly developed countries.

3. In the process of drawing up the system of economic potential enhancement planning at the enterprise it is necessary to pay close attention to transfer from long-term to medium-term and annual planning. Meanwhile, time factor is also important. This factor is of importance while synchronizing perspective, annual and operative planning, as well as providing their correlation and succession.

4. And, in the end, while formulating the plans for economic potential enhancement one should take into consideration that realization of such plans (strategies) also requires using accumulated potential (or some particular element of economic potential). Besides, the periods of development without potential enhancement as the main goal are possible.

Thus, looking back at the question of interdependence of planning and management systems, one may conclude that strategic planning is an inalienable element of strategic management, and being its element, strategic planning must be the principal element for a new planning system.

After analyzing a great number of Ukrainian and foreign authors' studies: A. P. Gradov, L. L. Pokryshkina, L.I. Dankova, I. Ansoff, U. King, F. Kottler concerning strategic planning, we determined distinctive features of this phenomenon:

- mainly purpose-oriented [1, 5];
- determination of different means of the set goal achievement [2,3,6];
- flexibility of temporary orientation [7];
- interpretation of future with the help of analysis method of gaps between the goals and results which are being achieved [4, 5].

At the same time, to our mind, the essence of strategic planning should be interpreted as the system of all diversity of types of planning activities at the enterprise. This planning includes and is the generalization of long-term, medium-term, current (annual), operative planning. Its main aim is making operative, current management decisions well-grounded, first of all, from the position of future.

To our mind, plan as an inalienable element of planning system can be viewed in two aspects. Firstly, as a process, and, secondly, as a result of the process – a document.

According to the interpretation as the process, plan is characterized as formulation of image of future and the process of making decision for successful operating of manufacturing.

If one understands a plan as a document, one can say that it is a system of interdependent, united by a common goal assignments, directed to the effective enterprise operating.

Thus, the system of economic potential enhancement planning must include a set of different plans and characteristic of the particular planning process, natural to this system.

According to E. Lobanova definition the planning process may have five stages: prognostication, goal setting, finding out and choosing development variants, working out the program of actions, budgeting [8].

At the first stage prognostication is made in three directions (vectors): temporary, of immediate direction, where possible future tendencies are determined and

quantitative, that means that an attempt to determine degree of future changes is made.

At the second stage the most optimal variant of development is chosen among those which are available.

The third stage is, in fact, working out a strategic plan, at this stage the goals are being determined and formulated and deadlines of achievement these goals are fixed.

At the fourth stage working out the program of acts and designing the content of performance schedule take place. The results of this stage reflect in the system of functional plans.

The fifth stage is budget formulation (or budgeting). At this stage cost estimation of the program and distributive resources takes place [2]. To our mind, the succession of the planning process described above is quite logical. And we are ready to accept it. However, some notions should be clarified.

Thus, the terms “prognostication” and “long term planning” are often considered as synonyms. The main difference between prognostication and long term planning is that prognostication means making an attempt to predict as exact as possible economic, political, legislative situations in future. Prognostication can result in formulating tendencies of the country's economic development prospects, establishing connections between data, which characterize production, company, industry, sales markets, competitors and general state of economic for a definite period of time. At the same time prognostication provides only the basis, on which particular programs of acts will be built later. The goal of long-term planning is to work out the state of desirable future, expressed in particular figures on the basis of received prognoses.

Thus, having conducted research on the basis of the system approach, we distinguish the following logically connected stages of the planning process for the enterprise economic potential enhancement (fig. 1):

1. Strategic planning stage. At this stage all possibilities of achievements joint goals are analyzed. A lot of alternative variants are considered and the most optimal are chosen. After that the chosen optimal means is formulated as a particular strategy or a set of strategies. We suppose that it is important to distinguish long-term planning in the framework of strategic planning.

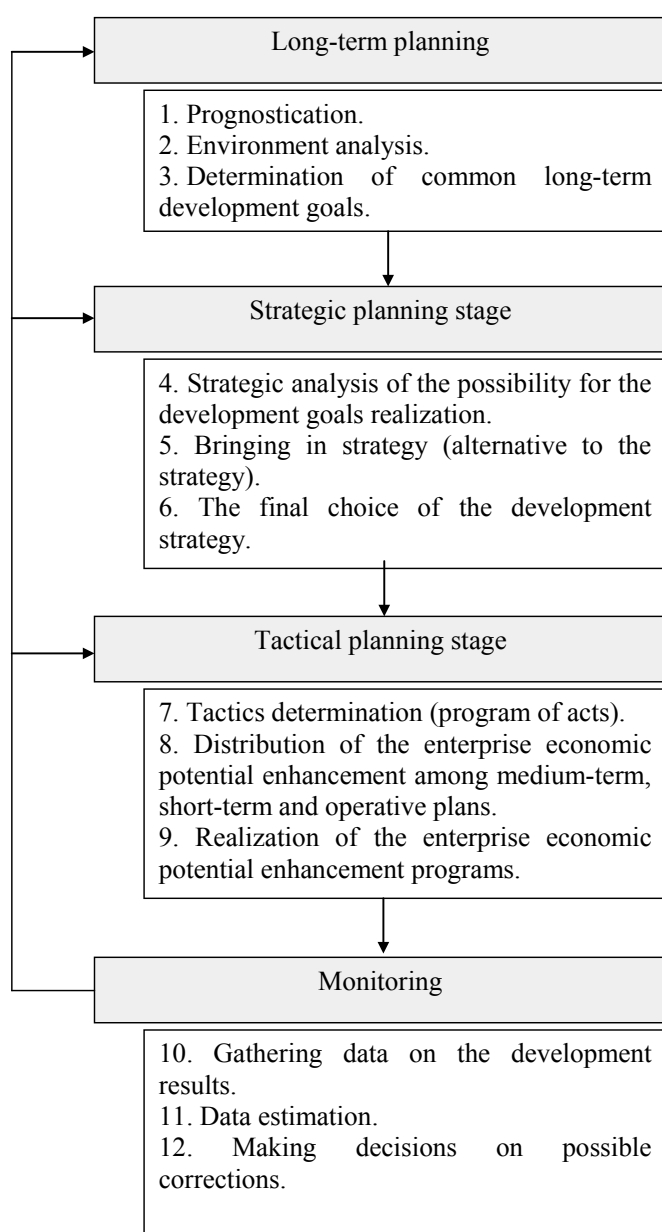
A strategic development plan has the goal of working out a strategy and long-term plan embraces prognostication of trends concerning changes of demand and supply, it also embraces analysis of external and internal environment of the enterprise, as well as determination of desirable position of the company in the prognosticated environment as joint long-term goals with concretization in figures.

The peculiarity of this planning stage consists in distribution of responsibilities. For instance, long-term prognostication and analysis is done by an external consultant and development strategy is worked out by the team and the external consultant is a member of this team.

2. Tactical planning stage. At this stage transformation of general strategic development directions into the goals and tasks of tactical plans takes place. This transformation is carried out on more itemized basis concerning both the terms of realization and particular directions (informational potential, innovation potential, human resources, manufacturing, etc.).

Particularization with the help of middle-term, short-term (current) and operative plans takes place in the framework of tactical planning.

3. Monitoring. At this stage gathering and analysis of all data concerning the process of realization of each stage of planning of the enterprise economic potential enhancement take place. After that, depending on the analysis results, decision concerning necessity of corrections or changes is made. We are suggested approach to the planning process allows to provide integrated system of decision making.



**Figure 1. Stages of the planning process for the enterprise economic potential enhancement**

Source: own study based on [4, 5, 9,10]

### 3. System the economic potential enhancement planning

It must also be taken into consideration, that the use of system approach to the planning of economic potential enhancement will undoubtedly cause reconsideration of the

whole system of planning at the enterprise. Implementation of the system approach into planning process begins from plans division into different levels and their further integration into one system (fig. 2).

Meanwhile, not only vertical, but also horizontal distribution of the plans is foreseen. At practice it may mean, that, for instance, senior managers (deputy development director) are responsible for determination of perspectives of enterprise potential enhancement. However managers of economic offices, employees and consultants, who are responsible for information gathering and tendencies prognostication, take place in the process of formulating of development prognostication [11,12].

During management and planning process, while considering an organization as an open system, one should take into consideration not only internal organizational system, which includes functional relations between divisions, organizational structure, mission, goals and politics of the organization, but also a number of other systems, such as macrosystem (system of external environment), which includes general political, economic, social, cultural and other conditions under which the enterprise works; the system of competitive relations, which are characterized by mutual relations between competitors, industry structure and “manufacturer – consumer” relations, characteristic of the definite industry, where the company competes with other manufacturers [13,14,15].

Thus, effective planning requires information supply from each of these systems and further processing of this information in the process of making particular plans of operations.

Speaking about a multilevel system of planning at the enterprise, the system capable of integrating the system of the economic potential enhancement planning, we think it is necessary to pay attention to the plans being worked out at the enterprise. Thus, to our mind, the combined system of planning at the enterprise must include the following plans;

- long-term prognostication plan;
- strategic plan;
- medium-term and short-term functional plans;
- operative plans.

Long-term plan is worked out by the senior executives of the enterprise. Input data for a long-term plan contain information about research and developments, the results of sales markets research, and financial reports. Market research for long-term prognostication plan can be done in different ways. They can include permanent work of a part of the company staff, different intermittent research or using consulting offices services.

The necessity of long-term planning is conditioned by two reasons. Firstly, by a long duration of making up complicated objects, secondly, by the necessity of having clear ideas about the scales of economic development and country’s culture, its industries and regions for a definite perspective. Perspective prognostication plan gives possibility to define real development opportunities, resource limits and to define quantitative and qualitative development results.

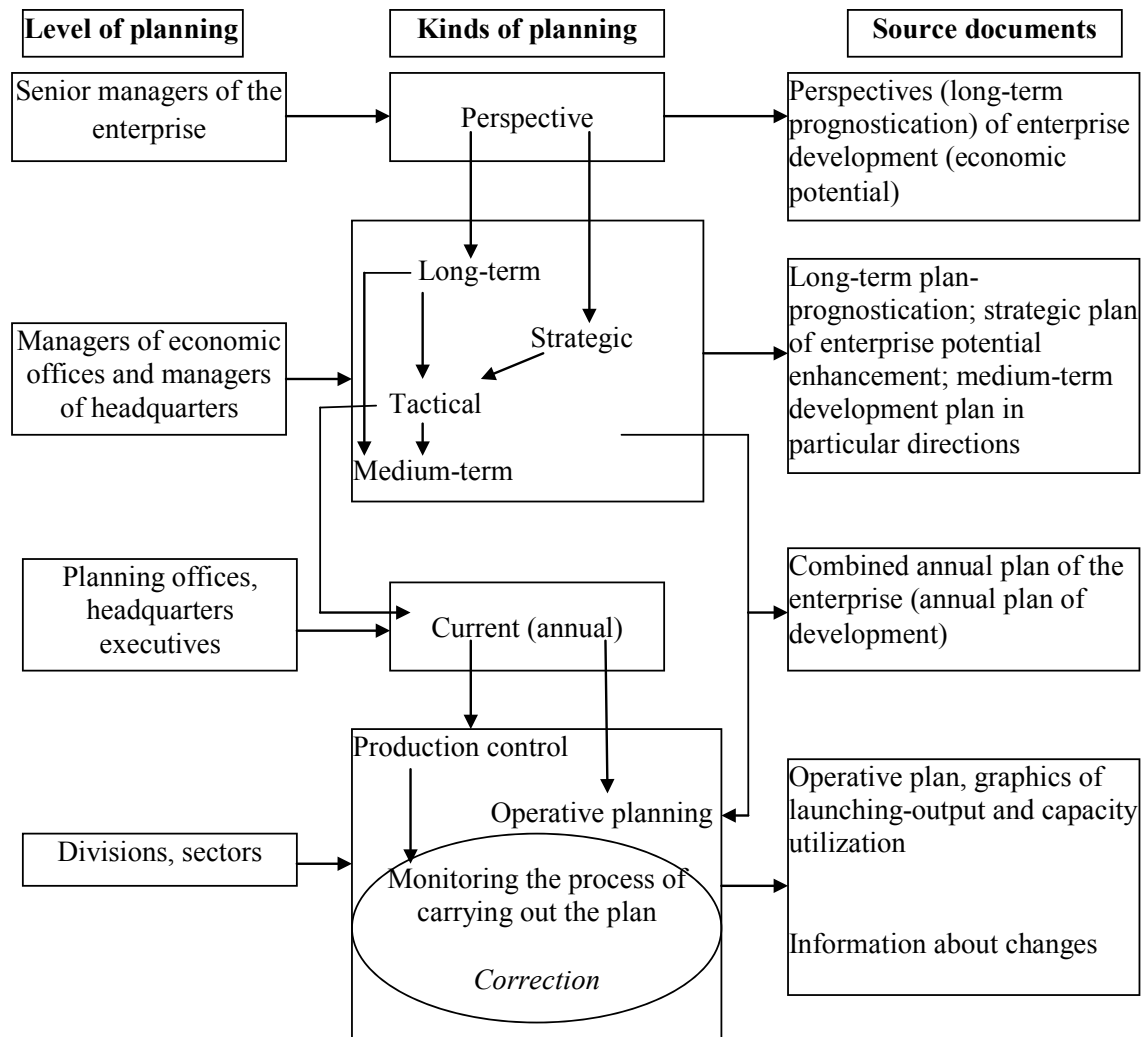


Figure 2. System the economic potential enhancement planning  
 Source: own study

According to prognosticated information and taking into consideration internal firm's capacities, the senior executives of the firm do prognostications for production items. On this basis the volume of production is determined and then the draft of the financial plan and the plan of materials supply and raw materials supply are drawn up.

We suppose that a long-term plan should not contain too many particular figures. They must be replaced by the interval meaning. A long-term prognostication plan is of conceptual character, it is mostly descriptive and the figures are used only to confirm expressed provisions. At the same time long-term plan contains decisions according to spheres of activities and the choice of development directions.

According to higher suggested succession of process of planning after making a long-term prognostication plan the senior management of the enterprise chooses the most optimal way of achieving the main goals of the firm. That is the process of strategic planning.

Strategic plan is in its way a nuclear of perspective planning. Strategic lines of achieving the main goals of the firm are determined by this plan. Strategic plan determines the enterprise potential enhancement, i.e. the way of achieving such complex of operating factors, which could

allow the enterprise to occupy a desirable place in the system of market economy.

We also want to point out interaction of above-listed elements of the system of planning. That means that interaction of the planning time-lines must evidently influence the essence of plans. For instance, if a short-term plan is not available at the enterprise, there is no sense in formulating like long-term plan. Thus, making a long-term plan of general planning system consists of four elements: sales planning and prognostication; capital investments and profit planning; enterprise development planning (enterprise economic potential); resource supply planning. Notwithstanding distinct determination of directions of long-term prognostication and planning, the content of such plan's parts can be brought into correlation with interests of particular enterprise and correspondingly some necessary information can be added.

To our mind, a strategic plan must be a set of functional strategies and big programs. Meanwhile the senior management makes a decision if these are several strategies in different directions or this is a united strategy of development. Combination is also possible. Each of the worked out programs must foresee the ways of monitoring

the process of carrying out, stages and ways of correlation with operative planning.

In connection with above stated, the following items should be included into the strategic plan of enterprise economic potential enhancement:

1. The goals and tasks of the enterprise development.
2. Current operation and long-term development tasks.
3. Strategy of the enterprise (basic strategy of development, main strategic alternatives).
4. Functional strategies of development.
5. The most significant (priority for realization) development drafts.
6. Description of external operations.
7. Capital investments and resources allocation.
8. Formulating of back up strategies, "systems of immediate reaction".

One can not claim that enumerated above items are dogmatic and should be obligatory a part of strategic plan of potential enhancement. Analysis of literature on strategic planning showed that both the essence and number of stages of strategic planning, as well as its shape can change radically under the influence of lots of specific peculiarities of the enterprise and objective activities conditions.

To our mind, horizon of strategic planning can vary too. Foreign economists are also not unanimous concerning this problem. Thus, for example, American specialists accentuate that difference between temporal horizons of similar in meaning plans of different firms depend on the industry they belong to and on the level of available equipment.

So, strategic plans may be worked out both for rather long period of time (up to 10 years), and for relatively not long periods (up to 5 years). Different programs as to the duration of being carried out may be parts of the strategic plan.

Medium-term and short-term functional plans are formulated according to the made long-term prognostication plan and worked out strategic plan.

Medium-term plan contains exact goals and characteristics given in the form of quantity. Horizon of medium-term plan embraces, as a rule, the period of two or three years.

#### 4. Conclusions

The formed system of the enterprise economic potential enhancement agrees with the task of providing interaction of all elements and levels of planning. Thus, elements of long-term and strategic plans are realized with the help of medium-term, short-term and operative plans. Besides, the suggested system provides interaction between parts inside this or that plan, that is, each element of a current or medium-term plan is closely

connected with the correspondent element of the plan of longer action. At the same time all elements of a particular plan also interact. The whole complex of correlations is provided and controlled with the help of branchy net of information support, correction and monitoring in the framework of the unitary mechanism of the strategic management by the economic potential enhancement.

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