

Development of a Business Strategy Based on Project Management

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Abstract: *The development of a company's strategy is a big problem for Russian enterprises. So far, there have been no adjusted methods for the solution of this problem with regard to specific Russian conditions. The authors believe that the development of methodical fundamentals for the formation of a corporate strategy based on project management is currently relevant from both scientific and practical points of view.*

In the article, the authors set forth a scheme for the formation of a corporate strategy on the basis of project management. Procedures for determining the mission and conducting a SWOT analysis of an enterprise have been specified. Procedures for initiation, marketing and innovation substantiation of projects have been considered. Project management procedures for the execution of an integrated draft of an enterprise's strategy have been proposed.

Index Terms: *business, enterprise, management, marketing, project management, strategy, SWOT analysis.*

I. INTRODUCTION

The development of a method for the formation of an enterprise's strategy based on project management includes the conduct of SWOT analysis and the determination of strategic goals of functional areas, the elaboration of alternative scenarios of an enterprise's strategy, methods designed to rank strategy drafts at the stage of their detailed planning, and procedures for managing goals pursued by an enterprise's strategy drafts.

Modern planning methods are based on systematic and situational approaches to management. This was reflected in the separation and the selection of parameters, which characterize the situation, SWOT analysis, strategic segmentation of an enterprise (of products and markets), the allocation of strategic zones and strategic centers, the development of strategy scenarios and the selection of an option by definite criteria. Project management methods are designed in accordance with the situational approach to management. They combine abstract and specific areas of

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planning through developed tools of decomposing a project's goals to the plan of daily actions [1].

II. PROPOSED METHODOLOGY

A. Algorithm

Strategic planning begins from the determination (specification) of an enterprise's mission that is the enterprise's ultimate function and its general goal of existence [2].

Table 1. General algorithm of the method designed to develop an enterprise's strategy [3]

Development stages	Content of stages
1. To determine an enterprise's strategic goals	1. SWOT analysis (situational and managerial analysis) 2. Essence and goals of the strategy 3. Enterprise's functional strategies 4. Strategies by business areas 5. Scenarios for the achievement of strategic goals
2. To develop substantiation for projects	Initiation, marketing and innovative substantiation of projects
3. To develop alternative scenarios of an enterprise's strategy and project ranking	Alternative scenarios (optimistic, pessimistic, realistic) based on the substantiation of projects; ranking of projects by efficiency
4. To develop draft strategies	Detailed planning of projects
5. To assess and rank projects	Assessment and ranking of projects by effectiveness and productiveness
6. To form a portfolio of an enterprise's strategy drafts	Selection of projects to be added to the strategy
7. To form an enterprise's unified strategy draft	Aggregation of separate projects into an integrated multifunctional draft of an enterprise's strategy

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Table 2. Determination of an enterprise's strategic goals

Section	Brief description of sections
Summary	Enterprise's mission; Essence and goals of a draft strategy; Products (services or work), markets; technologies (licenses, patent rights); Strategic budget (general financial restrictions); Forecast results (shares of the market, sales); Scenarios: optimistic, pessimistic, realistic
1. SWOT analysis	Situational analysis, managerial analysis
2. Essence and goals of an enterprise's strategy draft	Forecast: products, markets, technologies, quality of products, risks, financial restrictions
3. Enterprise's functional strategies	Marketing strategy, R&D strategy, production strategy, organizational strategy, financial strategy; Functional goals, time and cost of their implementation
4. Strategies by business areas	Strategies for strategic economic centers, products and markets
5. Scenarios for the achievement of the strategy's goals	Options for the segmentation of an enterprise's markets and the content of strategic economic centers. Optimistic, pessimistic and realistic scenarios.

SWOT analysis is understood as a study aimed to define and assess an enterprise's strengths and weaknesses, its opportunities and potential threats. Upon analysis of several sources [4], SWOT analysis can be characterized as a combination of an enterprise's situational and managerial analysis.

Meanwhile, in the course of an enterprise's *situational analysis*, it is necessary to conduct the following studies: analysis of strategic position, analysis of market segments, analysis of competition, positional analysis.

Table 3. Content of SWOT analysis [5]

Type of analysis	Areas of analysis
Situational analysis of an enterprise	1. Analysis of strategic position 2. Analysis of market segments 3. Analysis of competition 4. Positional analysis
Managerial analysis of an enterprise	1. Analysis of the system of a company's goals and achievement strategies 2. Analysis of the organizational structure 3. Analysis of management processes 4. Analysis of the structure of information 5. Analysis of the organizational culture

Analysis of an enterprise's strategic position (strategic analysis, analysis of strategic portfolio, analysis of strategic selection) is the identification of strategic economic zones, their interrelations, environment and other important factors, the identification and analysis of strategic economic zones and of the strategic portfolio.

Analysis of market segments is aimed to study the consumer market, which an enterprise and/or its separate business units (strategic economic centers) service [6]: the determination and analysis of market segments, in which an enterprise operates; analysis of consumer demand. Clients and consumers from this market have various similar features, which should be studied in the course of situational analysis. The process, which aims to identify the structure of consumers and their characteristics and to determine discrete groups of consumers (segments), is called market segmentation.

Analysis of competition is related to the understanding of an enterprise's current standing, a place and a situation the enterprise is currently in and requires studying the surrounding competitive environment. The determination and analysis of the types and main factors of competition, specific rivals [7], [8].

Positional analysis (positioning) is the determination of the place held by an enterprise, its products, separate trademarks as compared with other firms, trademarks and products.

Managerial analysis as part of an enterprise's *SWOT analysis* is based on diagnostic analysis of the enterprise's strengths and weaknesses, records of cultural values and peculiarities, the mentality of employees, and the actual condition of the enterprise's organizational functional potential, including HR. Managerial analysis constitutes research conducted to study the system of a company's goals, the organizational structure of management, management processes and organizational culture. The scheme of managerial analysis is given in Table 4 [8].

Table 4. Content of managerial analysis [8]

Area of analysis	Content
1. Analysis of the system of an enterprise's goals and achievement strategies	To identify and analyze an enterprise's mission, goals and restrictions for the achievement; to determine and analyze the enterprise's strategies
2. Analysis of the organizational structure	To study current organization structural units and their interrelations
3. Analysis of management processes	To identify, model and analyze processes
4. Analysis of information structure	To analyze and structure information, which circulates in an enterprise
5. Analysis of the organizational culture	To study in-house symbols, histories and ceremonies

Production analysis of an enterprise aims to assess the efficiency of production resources used by the enterprise for output and sales, to identify reserves for improving the efficiency of their use.

Financial and economic analysis of an enterprise is a component of managerial



analysis. It constitutes an efficient method, which makes it possible to assess financial standing, and serves as the basis for the conduct of activities aimed to form the enterprise's financial policy.

The presence of a clearly declared mission and results of SWOT analysis allow setting specific goals for an enterprise's activities in the market.

The development of goals implies some foresight of what can occur if there is no planned interference. R. Ackoff [9] defined such foresight as *backbone presentation*. If the future, which is described in the backbone presentation, is satisfactory, there is no need to develop strategies.

For the purpose of comparison, the second type of presentation, which is called *target*, is being developed. *Target presentation* expresses what and when an organization wants to achieve. The difference between *target* and *backbone* presentation creates a gap that strategic management is designed to eliminate. Target presentation is implemented on very rare occasions. *Planned presentation* is developed in most cases, which shows how far an organization can advance in the implementation of its aspirations [3], [10].

Marketing strategy is a general strategic line of an enterprise's business, with which all aspects of the marketing plan or means, the use of which can help achieve earlier declared goals of marketing activities, should be coordinated.

Main types of strategies in terms of a method used to conquer the market, products and the utilization of resources are divided into three areas: *intensive development, diversification and integration*.

The marketing mix policy is a set of marketing tools that an enterprise uses to accomplish marketing tasks in the target market (Table 5).

Table 5. Composition of marketing mix policies [11], [12]

A set of marketing mix policies	
Marketing mix policy	Characteristic
Product	Selection and implementation of an enterprise's strategy with regard to a product offered – both in width (diversity of product groups) and depth (diversity of products in a group)
Innovative	Constant system of enterprises' actions aimed at creating qualitatively new products, services, technologies, organizational concepts, methods, etc. that can provide a company with strong competitive advantages in the selected market segments during a long period of time

Pricing	Creation and maintenance of the optimum price structure and changes in products and markets in the course of time
Sales	Analysis and selection of optimum options aimed to deliver a product to a consumer, determination of sales channels and sales methods
Advertising	System of straight forward actions that ensure consumers' favorable attitude in the selected market segments towards the company and its products
Service	System of actions and decisions related to the formation of consumers' convictions that, when buying and using a product, consumers will not face any additional problems

The degree of formalization of planning depends on the size of an enterprise and its product market diversification. As a result, adequate marketing strategies, which are solidified by charts, determine the success of an enterprise's business both in the short and long terms [2, 13].

A company's strategic marketing plan determines what kind of activities it will carry out and sets forth tasks for these activities. Separate detailed plans are developed for each of the activities. If production consists of several lines of products and trademarks, a separate detailed plan is compiled for each of these positions (plans are also developed for various markets and their segments) [1, 14].

R&D strategy aims to create new products (or services) that will be the core of an enterprise's production activities in the future. R&D, as an activity focused on the future, is closely related and mutually determines a company's strategic management [12, 15].

One of the strategic management's tasks is to manage innovation by making decisions to select projects and distribute resources. It is necessary to ensure integrated decision-making from the upper level of management to the level of R&D management.

B. Flow Chart

A company's resources are always limited, and projects compete with one another in terms of specific types of resources. By maximizing expected financial returns, the R&D strategy considers only this factor, which results in a focus on a definite technology, market and minimum risk. Such a strategy can be successful only in the short term.

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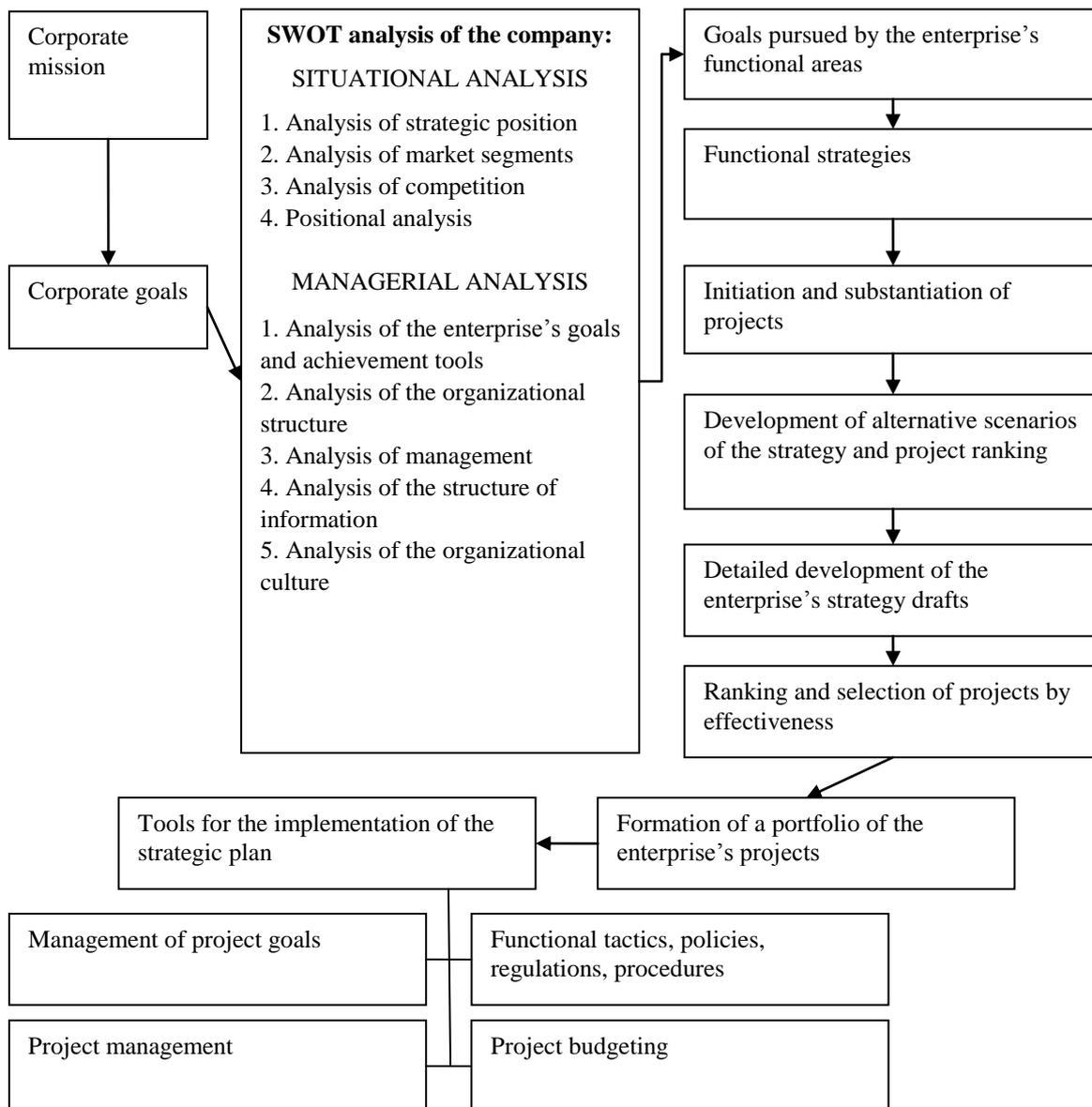


Fig. 1. Chart of the analysis of the formation of an enterprise's strategy based on project management

III. RESULT ANALYSIS AND DISCUSSION

A company can apply various types of innovative strategies [16, 17]:

1. The offensive strategy with high risks and high returns requires a certain qualification and the ability to see new market prospects and turn them into products. In a number of technological sectors, small companies can focus on one project, whereas big enterprises distribute their efforts on a variety of projects. A market leader needs to take an offensive position because its positions can be undermined once scientific and technological innovation emerges.

2. The defensive strategy implies a moderate risk and is suitable for companies that are able to generate profit in competitive conditions by maintaining the rate of return via low costs. This strategy can be recommended to a company that is strong in marketing rather than in R&D.

3. Licensing is sometimes called an engulfing pattern. Even

the biggest companies are unable to conduct a full range of R&D activities. Hiring professionals can be an alternative to purchasing technologies.

IV. CONCLUSION

The main result of the conducted analysis is the development of the basis for the formation of an enterprise's strategy in accordance with the principles of project management. The proposed version of the measures designed to develop a strategy corresponds to the competence model currently applied in Russian companies and considers the general level of training of corporate executives and managers, which allows actively applying the competence model when forming and executing an enterprise's strategy.

The generation of data based on the introduction of the developed method for the formation of an enterprise's



strategy and project management will make it possible to find several regularities and standards of planning that can be useful in the further study of this problem.

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