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Видання призначене для практичного засвоєння здобувачами освіти основних положень дисципліни «Стратегічне управління у сфері фінансів» через розв’язання кейсів вітчизняних та іноземних підприємств. Застосований метод проблемно-орієнтованого навчання дозволить приблизити навички роботи здобувачів до реальних умов ринку праці та надасть їм компетентності системного мислення та обґрунтування прийняття рішень у сфері фінансів.

The publication is intended for practical mastering by students of the basic principles of the discipline "Strategic Management in Finance" through solving cases of domestic and foreign enterprises. The applied method of problem-based learning will allow students to bring their work skills closer to the real conditions of the labour market and will provide them with the competence of systemic thinking and justification of decision-making in the field of finance.

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INTRDUCTION

Welcome to the practical guide for mastering "Strategic Management in Finance." This publication is designed to bridge the gap between theoretical knowledge and real-world application, equipping you with the essential skills for navigating the complexities of financial decision-making in today's dynamic business environment.

Our core philosophy is rooted in problem-based learning, which means you won't just read about strategic financial concepts – you'll actively engage with them. Through a carefully curated selection of cases from both domestic and international enterprises, you will be challenged to analyze real-life financial dilemmas, identify strategic opportunities, and formulate robust solutions. This hands-on approach is specifically tailored to simulate the challenges and opportunities you'll encounter in the professional world, fostering a deeper understanding of the discipline's fundamental principles.

By grappling with the strategic financial issues faced by various organizations, you will develop critical work skills directly transferable to the labor market. This includes honing your analytical capabilities, enhancing your problem-solving prowess, and strengthening your ability to make informed, data-driven decisions. More importantly, this case-based methodology will cultivate a competence of systemic thinking, enabling you to understand the interconnectedness of various financial elements and their impact on overall strategic objectives. You will learn to justify your decisions, articulate your reasoning, and develop a comprehensive approach to strategic financial management.

Prepare to immerse yourself in the practical application of strategic finance. Through this engaging and challenging journey, you will not only master the core principles of the discipline but also gain the invaluable experience and confidence needed to excel in the competitive financial landscape.

TOPIC NO. 1: CONTENT OF STRATEGIC MANAGEMENT. THE ESSENCE OF THE ORGANIZATION'S STRATEGY

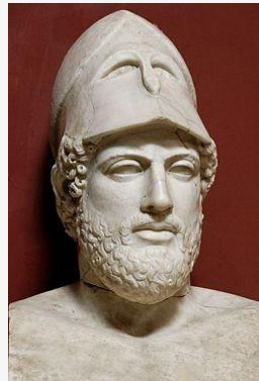
Introduction

The lecture delve into the core of strategic management, exploring its fundamental concepts and principles. Understanding strategic management is crucial for any organization aiming for long-term success in today's dynamic and competitive environment. This lecture will cover the essence of strategic management, the prerequisites for its implementation, the key principles and elements of strategy development and implementation, and finally, consolidate our understanding with a precise definition of strategic management.

1.1 The Essence of Strategic Management

Strategos is the "art of the general"

- The modern definition of strategy is difficult to formulate in one sentence. Many authoritative scholars have offered their own vision of the content of strategy, but their definitions have different meanings.



Strategic management is more than just planning. It's a comprehensive and ongoing process that involves:

- Defining the organisation's mission, vision, and long-term objectives: This sets the overall direction and purpose of the organisation. Where do we want to be in the future? What is our core purpose?

– Analysing the internal and external environments: This involves understanding the organisation's strengths and weaknesses (internal analysis) and identifying opportunities and threats in the external environment (external analysis). SWOT analysis is a key tool here.



What is Strategy?

• In 1987, Mintzberg published his first article on the 5 P's of Strategy. Each of the five P's represents a distinct approach to strategy. ***This includes Plan, Ploy, Pattern, Position and Perspective. These five elements enable a company to develop a successful strategy.***

Elements of Strategy

1. **Plan** – what course of action will the business take to realize its future goals? Businesses should hold brainstorming sessions to identify goals and determine how they might be achieved
2. **Ploy** you should discourage, divert, or influence competitors.
3. **Pattern** – the previous two perspectives encourage businesses to look forward. However, recognizing a pattern is about looking to the past and determining what has worked well
4. **Position** – how does the business want to portray itself in the market? What target audience or niche should it occupy to gain a competitive advantage?
5. **Perspective** – how does the business perceive the world? What is the “personality” of the business?



– Formulating strategies: This involves developing different strategic options and choosing the best course of action to achieve the

organization's objectives. This stage involves making crucial choices about resource allocation, competitive positioning, and future direction.



Strategy is the determination of long-term goals and objectives, the adoption of courses of action and associated allocation of resources required to achieve goals.

Alfred Chandler
Harvard Business School

- Implementing strategies: This involves putting the chosen strategies into action. This requires effective leadership, resource allocation, organizational structure, and communication.

- Evaluating and controlling performance: This involves monitoring the progress of the strategy, measuring results against objectives, and making necessary adjustments. This is an ongoing feedback loop to ensure the strategy remains relevant and effective.

In essence, strategic management is about making proactive choices to shape the organisation's future, rather than simply reacting to events.

1.2 Prerequisites for the Formation of a Strategic Management System

Implementing a successful strategic management system requires certain prerequisites:

- A clear understanding of the organisation's mission, vision, and values: This provides a foundation for strategic decision-making. If the organization doesn't know where it's going, it cannot strategically get there.
- Top management commitment and leadership: Strategic management requires buy-in and active involvement from top management. They must champion the process and ensure it is integrated into the organisation's culture.
- Open communication and information sharing: Effective communication is essential for disseminating strategic information throughout the organization and gathering feedback.
- A culture of adaptability and change: The ability to adapt to changing circumstances is crucial for successful strategic management. Organisations need to be willing to adjust their strategies as needed.
- Availability of resources: Implementing strategies requires adequate resources, including financial, human, and technological resources.
- A well-defined organizational structure: A structure that supports strategic implementation is essential. This may involve changes to roles, responsibilities, and reporting lines.

1.3 Principles and Elements of Strategy Development and Implementation:

Several key principles guide effective strategy development and implementation:

- Alignment: Ensuring that all parts of the organization are working towards the same strategic objectives.
- Focus: Concentrating resources and efforts on the most important strategic priorities.
- Flexibility: Being able to adapt the strategy as needed in response to changing circumstances.

- **Integration:** Integrating the strategy with other organizational processes, such as budgeting, performance management, and human resources.

- **Simplicity:** Keeping the strategy clear and easy to understand so that everyone in the organization can contribute to its implementation.

Key elements of strategy development and implementation include:

- **Strategic analysis (SWOT, PESTLE, Porter's Five Forces):** Understanding the context.
- **Strategy formulation (Generic strategies, Growth strategies, Competitive strategies):** Choosing the path.
- **Strategy implementation (Action plans, Resource allocation, Organisational structure):** Putting the plan into action.
- **Strategy evaluation and control (Performance measurement, Feedback mechanisms, Corrective actions):** Monitoring and adjusting.

1.4 The Concept of Strategic Management:

To summarise, strategic management can be defined as:

The art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its long-term objectives.

It involves a continuous process of aligning the organisation's resources and capabilities with its external environment to achieve a sustainable competitive advantage. It's not a one-time event but a continuous cycle of analysis, planning, implementation, and evaluation.

Conclusion

Strategic management is vital for organizational success in today's complex world. By understanding its core principles, prerequisites, and elements, organisations can develop and implement effective strategies to

achieve their long-term goals. In our next lecture, we will delve deeper into strategic analysis tools and techniques.



CASE STUDY: JSC "PROCREDIT BANK"

1. General Characteristics of the Selected Enterprise

JSC "ProCredit Bank" is a prominent commercial bank operating in Ukraine, distinguished by its dedicated focus on serving small and medium-sized enterprises (SMEs). As a subsidiary of "ProCredit Holding," it is an integral part of a broader network of ProCredit banks across Eastern Europe. In Ukraine, the bank maintains a significant presence with 5 regional branches complementing its head office. With a staff of approximately 300 individuals, ProCredit Bank has established itself as a reliable financial institution. Its commitment to stability and sound financial practices is evidenced by its ranking as 7th among Ukraine's most reliable banks, according to "Forinsurer." This ranking is based on critical criteria for systemic importance, including total asset size, liabilities, systemic banking relationships, and the volume of lending to vital economic sectors.

2. Mission and Strategic Goals

ProCredit Bank's mission, as articulated on its official website, is centred on development. The bank aims to provide high-quality services to both SMEs and individuals who seek to save and grow their funds. Its operations are guided by core principles: transparency in client communication, a conscious avoidance of consumer lending, a commitment to minimising negative environmental impact, and the provision of services rooted in a thorough understanding of each client's unique situation, coupled with detailed financial analysis.

The bank strategically focuses on SMEs, believing that these enterprises are crucial drivers of job creation and significant contributors to the country's economic development. Concurrently, ProCredit Bank

endeavours to foster a culture of savings and financial responsibility among the populace by offering accessible savings opportunities and other banking services, alongside substantial investments in financial education. While its shareholders expect stable and long-term returns, their interest does not extend to short-term profit maximisation. The bank also places a strong emphasis on staff training and development, striving to cultivate a conducive and efficient working environment that facilitates friendly and professional customer service.

3. Assessment of the Financial Condition

Despite the adverse effects of the COVID-19 pandemic on the Ukrainian banking system and the bank's own financial indicators, ProCredit Bank demonstrated continued positive business development in 2020. The bank largely achieved its business and financial objectives for the year. Notably, its loan portfolio experienced a robust 22% growth, reaching UAH 20 billion. Funds from private companies increased by nearly 26%, with individual deposits growing by an impressive 30%. While the bank recorded a net profit of UAH 542,193,000 in 2020, this represented a 22% decrease compared to 2019. This decline was primarily attributed to higher expenses for loan provisions, largely driven by the renewal of macro factors influenced by the global economic downturn caused by the pandemic.

ProCredit Bank's management report indicates that its key operating and financial indicators underscore the sustainability of its business model, which it aims to maintain in the coming years. The growth in business volume during 2020 aligns with the bank's assessment of current conditions and future business potential. Furthermore, during the reporting year, the bank did not engage in the sale of assets exceeding the amount stipulated by its charter, reinforcing its adherence to established operational guidelines.

4. Description of the Analysis Method: SWOT Analysis

The analysis conducted for this case study utilizes the SWOT framework. SWOT is an acronym that stands for:

- Strengths
- Weaknesses
- Opportunities
- Threats

The primary objective of a SWOT analysis is to enable an organization to comprehensively identify and evaluate all internal and external factors that influence decision-making, thereby pinpointing potential avenues for development.

SWOT analysis is a versatile tool applicable in numerous situations, including:

- The launch of new startups or business lines.
- Revision of a company's internal policies.
- Consideration of business restructuring options and opportunities.
- Verification of the correctness of a chosen development path.
- Improvement of existing business processes.
- Gaining a general understanding of the prevailing market situation.

While some managers prefer to conduct SWOT analyses independently due to their holistic view of the business, it is generally more effective when a team comprising specialists from diverse departments participates. This collaborative approach helps uncover "blind spots" that could potentially negatively impact business operations or customer relationships.

5. Conducting an Analysis Using Company Data (SWOT Analysis)

	Description
Strengths	<ul style="list-style-type: none"> - Long-term oriented policy, prioritizing cooperation with businesses while avoiding consumer lending. <li style="padding-left: 40px;">A small staff of highly qualified personnel Significant achievements and a modern contribution to eco-management, both within the organization and among its partners. Stable dynamics of income growth from core activities, demonstrating resilience in a relatively crisis-prone environment 100% of shares held by a foreign entity, ProCredit Holding, indicating strong backing and stability.
Weaknesses	<ul style="list-style-type: none"> <li style="padding-left: 40px;">Difficulties in attracting highly qualified specialists. Almost complete disregard for the finances of individuals and their lending needs. <li style="padding-left: 40px;">Dependence on European environmental regulations and banking business practices Ignoring businesses that do not adhere to environmental standards (e.g., plastic manufacturers).
Opportunities	<ul style="list-style-type: none"> - Expansion of the client portfolio through the involvement of private clients. - Increasing the range of services provided, such as buying and selling securities. - Further implementation of modern fintech solutions into the bank's internal processes. ProCredit Bank demonstrated a powerful and stable portfolio, which is and will remain relevant in relation to the further economic and ideological development of the state. The main lending partners are representatives of small/medium-sized businesses operating in the real sector of the economy. Investments in eco-management, cooperation with Quipu (IT developer) and its own banking academy make this player resistant to possible challenges.

In fact, there is a lack of income due to the bank's refusal to cooperate with most individuals, as well as non-environmental (unethical) businesses. Further development of the bank within the framework of the chosen and announced mission may lie in the improvement of existing banking processes: implementation of the best practices in the field of fintech. It is

possible to expand the range of provided financial services (with the acquisition of appropriate licenses). It is advisable to provide a powerful crisis management/booking department, etc.

6. Conclusions and Recommendations for Improving the Company's Strategy

ProCredit Bank demonstrates a powerful and stable portfolio, which is and will remain highly relevant to the continued economic and ideological development of Ukraine. The bank's core lending partners are primarily small and medium-sized businesses operating within the real sector of the economy. Strategic investments in eco-management, collaborative efforts with Quipu (an IT developer), and the establishment of its own banking academy collectively bolster the bank's resilience against potential challenges. However, the bank faces a notable limitation in its income generation due to its explicit refusal to engage with the majority of individual clients and certain non-environmental (or "unethical") businesses.

To further enhance its strategy within the framework of its established mission, ProCredit Bank could focus on several key areas. Firstly, it should prioritize the improvement of existing banking processes through the implementation of leading fintech best practices. Secondly, the bank could explore opportunities to expand its range of financial services, contingent upon acquiring the necessary licenses. Lastly, establishing a robust crisis management and booking department would significantly strengthen its operational capacity and preparedness for future economic fluctuations.



Tasks and Questions for Students:

Task 1: Strategic Alignment and Stakeholder Value

Based on the "Mission and Strategic Goals" section, analyze how ProCredit Bank's stated mission and strategic priorities align with the interests of its key stakeholders.

a) Identify ProCredit Bank's primary stakeholders. Consider all entities or groups that have a vested interest in the bank's operations and success.

b) For each identified stakeholder group, describe their key expectations or interests regarding ProCredit Bank.

c) Discuss how the bank's mission (development-centric, SME focus, financial education, environmental consciousness) and strategic goals (stable long-term returns for shareholders, staff development) directly address or contribute to the fulfillment of these stakeholder expectations. Provide specific examples from the text to support your points.

Task 2: Financial Performance and External Factors

Using the "Assessment of the Financial Condition" section, evaluate the impact of the COVID-19 pandemic on ProCredit Bank's financial performance in 2020 and assess the bank's resilience.

a) Identify the key financial indicators that demonstrate positive business development for ProCredit Bank in 2020, despite the pandemic's impact. Quantify these achievements where possible.

b) Explain the primary reason for the 22% decrease in net profit in 2020 compared to 2019, as stated in the text.

c) Based on the information provided, what evidence suggests that ProCredit Bank's business model is sustainable, even in the face of external economic shocks? Consider both the financial results and management's stated outlook.

Task 3: Preparing for a SWOT Analysis

Imagine you are part of a team tasked with conducting a SWOT analysis for ProCredit Bank. Based solely on the provided "General

Characteristics of the Selected Enterprise" and "Mission and Strategic Goals" sections (excluding the "Assessment of the Financial Condition" for this specific task), prepare preliminary bullet points for each section of a SWOT analysis.

a) List at least three potential Strengths of ProCredit Bank. These are internal positive attributes.

b) List at least two potential Weaknesses of ProCredit Bank. These are internal negative attributes.

c) List at least three potential Opportunities for ProCredit Bank. These are external favorable factors or trends.

d) List at least two potential Threats to ProCredit Bank. These are external unfavorable factors or trends.

TOPIC NO. 2: DEFINING THE MISSION AND GOALS OF THE ENTERPRISE

Introduction

The lecture discuss the crucial foundation upon which any successful enterprise is built: its mission and goals. These elements provide direction, purpose, and a framework for strategic decision-making. We'll explore how to formulate a compelling mission, establish meaningful goals, and understand the relationship between enterprise goals and the UN Sustainable Development Goals (SDGs). We will also touch upon the concepts of motto and credo.

2.1 Formulation of the Mission and Goals of the Enterprise. SDGs and Enterprise's Goals

Mission. A mission statement defines the organisation's fundamental purpose. It answers the question: "Why do we exist?" It's a concise statement of the organisation's core values, target customers, and the products or services it offers. A good mission statement is enduring and provides a sense of direction for the entire organization.

A mission statement is

- a simple statement about the goals, values, and objectives of an organization. It helps a company respond to change and make decisions that align with its vision.
- This brief description helps customers, employees, and leadership understand the organization's top priorities.



A vision statement is

- aspirational and expresses your brand's plan or "vision" for the future and potential impact on the world. They often serve as a guide for a brand's future goals and explain why customers and employees should stick around for the long haul.



Mission vs Vision



A mission statement clarifies **what** the company wants to achieve, **who** they want to support, and **why** they want to support them.



On the other hand, a vision statement describes where the company wants a community, or the world, to be as a result of the company's services.

Goals. Goals are specific, measurable, achievable, relevant, and time-bound (SMART) targets that an organisation sets to achieve its mission. They translate the broad mission statement into concrete actions and provide a basis for performance measurement.

SDGs and Enterprise's Goals. The UN Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all".

Enterprises play a vital role in achieving these goals. By aligning their business strategies with the SDGs, companies can contribute to global sustainable development while also creating business value. This can involve:

Directly contributing to specific SDGs. For example, a renewable energy company directly contributes to SDG 7 (Affordable and Clean Energy).

Integrating sustainability into core business operations. Reducing waste, improving energy efficiency, and promoting ethical labour practices contribute to various SDGs.

Developing innovative solutions. Creating new products and services that address social and environmental challenges.

Integrating SDGs into enterprise goals not only contributes to global well-being but also enhances brand reputation, attracts investors, and improves long-term business sustainability.

2.2 Mission Selection and Rules for Its Formation

Selecting and formulating an effective mission statement requires careful consideration. Here are some key rules:

- Clarity and Conciseness: The mission statement should be easy to understand and remember. Avoid jargon and complex language.
- Focus on Value: It should articulate the value the organization provides to its customers and stakeholders.
- Distinctiveness: It should differentiate the organization from its competitors. What makes you unique?
- Feasibility: The mission should be achievable and realistic.
- Inspirational: It should motivate employees and inspire them to work towards a common purpose.

Elements of the mission



Brand Purpose: What does your product or service do, or aim to offer and for whom?



Brand Values: What does your company stand for? For example, are you environmentally conscious and provide a more sustainable solution to solve a problem? Values are what make your company unique.



Brand Goals: What does your company accomplish for customers? Why should they purchase from you instead of other competitors?

- Long-Term Orientation: The mission should be enduring and not subject to frequent changes.

HEART principles for a mission creating:



Humble



Empathetic



Adaptable



Remarkable



Transparent

Example:

Bad Mission: "To be the leading provider of innovative solutions." (Too vague and generic)

Good Mission: "To empower small businesses with affordable and user-friendly software solutions that streamline their operations and drive growth." (Specific, value-focused, and distinctive)

2.3 Motto and Credo of the Enterprise

Motto. A motto is a short, memorable phrase that captures the essence of the organisation's values or aspirations. It's often used externally for marketing and branding purposes. It's concise and catchy. Examples: "Just Do It" (Nike), "Think Different" (Apple).

Credo. A credo is a more detailed statement of the organisation's beliefs and principles. It outlines the core values that guide the organisation's behaviour and decision-making. It's often used internally to reinforce the organisation's culture. It provides a more in-depth explanation of the company's philosophy.

While a mission statement defines *what* an organization does and *why* it exists, the motto and credo express *how* it operates and *what* it believes in. They reinforce the mission and contribute to a strong organizational identity.

2.4 Setting up Goals for Strategic Purposes

Setting effective goals is crucial for achieving the mission. Here's how to set goals for strategic purposes:

- Start with the Mission: Goals should directly support the mission statement.
- Use the SMART Criteria: Ensure goals are Specific, Measurable, Achievable, Relevant, and Time-bound.
- Cascade Goals: Break down high-level strategic goals into smaller, more manageable goals for different departments and individuals.

Goals setting



Determination of the goals of the enterprise.



Classification of enterprise goals. SMART goals.



"Tree of goals", requirements for its construction.

- **Align Goals with Resources:** Ensure that the organization has the necessary resources to achieve its goals.
- **Regularly Review and Adjust Goals:** The business environment is constantly changing, so it's important to regularly review and adjust goals as needed.

Reasons why you need clearly-defined goals for business:



Measure Progress



Provide Clarity



Set Targets To Work Towards



Inform Decision Making



Keep Everyone Accountable

Example:

- Strategic Goal: Increase market share by 15% within the next three years.
- Supporting Tactical Goal (Marketing Department): Launch a new marketing campaign targeting a specific customer segment within the next six months.



SMART goals formula

- **Specific:** Your goal must focus on one clearly defined metric.
- **Measurable:** You must measure your goal against that defined metric.
- **Attainable:** You need to be able to achieve the goal within a specific timeframe.
- **Relevant:** Your goal aligns with your company values and objectives.
- **Timely:** Specify when you can achieve these results.

Conclusion

Defining a clear mission and setting meaningful goals are fundamental to an enterprise's success. By aligning these elements with the SDGs and establishing a strong organisational culture through motto and credo, organisations can create a sustainable and impactful future.



CASE STUDY: COCA-COLA BEVERAGES UKRAINE

General Characteristics of the Enterprise. Mission and Strategic Goals

The Coca-Cola Company, an American multinational corporation founded in 1892, is globally renowned for its namesake beverage. Beyond its iconic soft drinks, the company manufactures, sells, and markets a broad

portfolio of non-alcoholic beverage concentrates, syrups, and even alcoholic beverages.

Coca-Cola Beverages Ukraine is the Ukrainian arm of the Greek bottling company Coca-Cola Hellenic. Established in 1992, it is responsible for the production and distribution of beverages under The Coca-Cola Company's brands within Ukraine. Its first plant opened in Lviv in 1994, followed by another near Velyka Dymerka in the Brovar district of the Kyiv region in 1998.

Coca-Cola HBC Ukraine operates with a growth mindset, striving to be the undisputed market leader in every segment it competes in. This ambitious vision is supported by a commitment to several core pillars:

- **Developing Excellent People:** Investing in and empowering its workforce to drive success.
- **Achieving Excellent Customer Partnership and Consumer Satisfaction:** Building strong relationships with customers and ensuring consumer delight.
- **Exploring New Opportunities:** Continuously seeking and capitalizing on growth avenues.
- **Building and Leveraging Superior Organizational Capability:** Developing unique strengths to differentiate itself in the market.
- **Excelling at Availability, Affordability, Acceptability, and Activation:** Ensuring widespread product presence, competitive pricing, consumer acceptance, and effective marketing.
- **Continuously Optimizing Our Costs:** Maintaining efficiency and sustainability through ongoing cost management.

Beyond business success, Coca-Cola HBC Ukraine is deeply committed to corporate social responsibility (CSR). Its principles emphasize long-term development in harmony with the environment and society. Key CSR areas include:

- Water projects and resource saving.

- Climate protection and waste management (separate collection and secondary use).
- Consumer health care and environmental literacy for staff.
- Interaction with suppliers and contributions to community development.
- Adherence to global initiatives like the UN Global Compact.

These values and commitments are embedded in the company's "Play to Win" strategic framework, focusing on building community trust, consumer relevance, customer preference, and cost efficiency leadership. Coca-Cola HBC Ukraine also adheres to crucial market principles, including a strong focus on consumer needs, collaboration, continuous learning, and adaptability.

Assessment of the Financial Condition

Coca-Cola Beverages Ukraine has demonstrated consistent growth in net income from product sales over the past three years. However, 2022 presented significant financial challenges due to the onset of war in Ukraine. This led to a decrease in gross revenue, attributed to factors like reduced demand, increased expenses, logistical hurdles, and heightened risks.

Table 2.1. Summary of key financial indicators

Indicator	2020	2021	2022	±Δ (2022 vs 2021)	% (2022 vs 2021)
Net Income product sales	7,134,428	9,194,088	8,350,977	-843,111	-9.17
Gross income	2,577,827	2,811,257	2,395,267	-415,990	-14.79
The cost of sales	4,556,601	6,382,831	5,955,710	-427,121	-6.69
Financial result before tax	545,358	327,713	74,359	-253,354	-77.3
Net profit (Loss)	545,358	252,595	43,497	-209,098	-82.77

As evident from the table, net income from product sales, while generally growing, saw a 9.17% decrease in 2022 compared to 2021. Gross

income also decreased by 14.79% in 2022, and net profit fell drastically by 82.77% compared to the previous year. This severe decline is directly attributed to the negative impact of the war, including reduced sales, increased expenses, supply chain disruptions, and market losses.

Despite these challenges, the company maintained positive operational results throughout 2020-2022, avoiding losses. While the initial analysis in the case study indicated a negative EBITDA for 2022, it's crucial to acknowledge that preliminary 2023 indicators already demonstrate recovery and growth, with sales volumes projected to return to pre-war (2021) levels. This suggests a gradual emergence from the crisis period and an improvement in the company's financial condition.

Description of the Analysis Method: Strategic Groups of Competitors

To analyze the competitive environment and determine the competitive position of Coca-Cola Beverages Ukraine in the soft drinks market, we will employ the Strategic Groups of Competitors method.

A strategic group of competitors comprises a set of enterprises that hold similar market positions and compete using comparable competitive advantages and methods. Companies are typically categorized into the same strategic group if they share characteristics such as:

- A close product range structure.
- Use of similar distribution systems.
- Similar types and degrees of vertical integration.
- Offering comparable services and technical assistance to buyers.
- Focusing on the same customer segments.
- Satisfying similar buyer needs.
- Employing similar mass advertising techniques.
- Equivalent technological approaches in manufacturing and service.
- Operating within the same "price-quality" parameter interval.
- Identical strategic orientations and achievement mechanisms.
- Similar market behavior.

The number of strategic groups can vary across industries. It's essential to define appropriate parameters that reflect the industry's specific characteristics and competitiveness factors. The analysis of strategic groups involves creating "strategic group maps" through the following steps:

1. **Choose Essential Characteristics:** Select two non-correlating, most essential characteristics of products or enterprises relevant to the industry's competitive landscape.
2. **Create a Matrix-Map:** Construct a matrix (2-D graph) using these two chosen characteristics as axes.
3. **Evaluate and Plot:** Assess each selected characteristic for the targeted products or companies and plot them on the map.
4. **Form Strategic Groups:** Group closely located objects into distinct strategic groups.
5. **Draw Circles:** Encircle each strategic group. The radius of each circle should ideally be proportional to the total sales volume of the enterprises within that group, reflecting their collective market share.

For Coca-Cola Beverages Ukraine, the analysis considers the following major non-alcoholic beverage enterprises in Ukraine: Coca-Cola Beverages Ukraine, "Obolon", "Rosinka", "Panda", "Aquaplast", "Sandora", "Erlan", PepsiCo Inc.

Strategic group maps based on various parameters (e.g., "width of assortment - price," "volume of sales - quality," "advertising intensity - geographic boundaries of the market") would visually represent these competitive dynamics.

To determine "absolute" competitive strength, a comparison is made against an "ideal" competitor. The formula for absolute competitive strength (CPa) is:

$$CPa = \sum W_i (P_i - \max P_i), \text{ where:}$$

- W_i is the weight of the i -th factor.

- P_i is the rating of the given firm for the i -th factor.
- $\max P_i$ is the highest rating among all competitors for the i -th factor.

Factors with positive values in parentheses indicate "key advantages" or competitive strengths. A positive CPa value suggests more strengths than weaknesses.

Conducting an Analysis Using Enterprise Data. From the strategic group maps (visuals not provided here, but described in the case study), the primary competitors of Coca-Cola Beverages Ukraine in the Ukrainian market are identified as "Obolon," PepsiCo Inc, and "Sandora."

Table 2.2. A comparative analysis of competitive strength, equating Coca-Cola Beverages Ukraine with an "ideal" competitor

Competitiveness factors	Obolon	Sandora	Pepsi Co	Coca-Cola	Competitive power
Quality	0.52	0.52	0.65	0.65	0
Price	0.6	0.8	1	1	0
Width of assortment	0.2	0.13	0.1	0.2	+0.1
Volumes of implementation	0.4	0.3	0.3	0.5	+0.2
Market share	0.68	0.42	0.51	0.85	+0.34
The degree of renewal of products	1.0	0.15	0.15	0.2	+0.05
Exclusive types of products	0.14	0.17	0.28	0.35	+0.07
Advertising budget	0.15	0.2	0.2	0.25	+0.05
The level of consumer recognition of the brand	0.24	0.3	0.4	0.4	0
The uniqueness of own technologies	0.06	0.1	0.12	0.15	+0.03
Independence from foreign investors	0.14	0.21	0.14	0.14	0
Total	4.13	3.3	3.85	4.69	+0.84

The table clearly indicates that Coca-Cola Beverages Ukraine possesses a higher absolute competitive strength compared to all its competitors. Its total competitive power score is 4.69, yielding an absolute competitive advantage of +0.84.

Specifically, Coca-Cola Beverages Ukraine demonstrates key advantages over its primary rival, PepsiCo, in several crucial areas:

- Broader product range (Width of assortment): +0.1 absolute competitive power.
- Higher sales volumes (Volumes of implementation): +0.2 absolute competitive power.
- Larger market share: +0.34 absolute competitive power, indicating a significant lead.
- Higher degree of product innovation (The degree of renewal of products): +0.05 absolute competitive power.
- Greater availability of own exclusive types of products: +0.07 absolute competitive power.
- More unique own technologies: +0.03 absolute competitive power.
- Larger advertising budget: +0.05 absolute competitive power.

These factors collectively contribute to Coca-Cola Beverages Ukraine's dominant position in the Ukrainian market.

Conclusions and Recommendations for Improving the Company's Strategy

Conclusions:

The competitive analysis, utilizing the strategic groups method, confirms that Coca-Cola Beverages Ukraine holds a leading position in the Ukrainian non-alcoholic beverage market. Its competitive strength is demonstrably superior to its rivals, including major national players like

"Obolon" and "Sandora," and its global competitor, PepsiCo. The company's advantages stem from its extensive product range, significant sales volumes, dominant market share, and continuous innovation.

Coca-Cola Beverages Ukraine's operational success is further evidenced by its consistent profitability (even amidst war-related challenges) and substantial contributions to the Ukrainian economy through tax revenues, technological advancement, and increased market competition. The company's commitment to social responsibility and its proactive engagement in community and environmental initiatives are also noteworthy.

Recommendations for Improving the Company's Strategy:

To further solidify its market leadership, enhance resilience, and align with evolving consumer and technological landscapes, Coca-Cola Beverages Ukraine should focus on the following strategic recommendations:

1. Pioneer Sustainable Packaging Innovations:

Initiative: Aggressively pursue and adopt eco-friendly packaging solutions, such as biodegradable bottles, plant-based packaging, or widespread use of steel/aluminum containers.

Rationale: This directly addresses growing consumer concerns about environmental impact and aligns perfectly with the company's stated CSR principles and goal of "resource saving and climate protection." It would position Coca-Cola as a leading innovator in environmental stewardship, enhancing brand reputation and potentially attracting environmentally conscious consumers.

2. Leverage Artificial Intelligence for Data-Driven Insights:

Initiative: Implement advanced AI algorithms for comprehensive consumer data analysis and trend forecasting.

Rationale: AI can provide invaluable, real-time insights into evolving consumer preferences, purchasing behaviors, and emerging market trends. This will enable Coca-Cola to adapt its product portfolio (e.g., new flavors,

healthier options), optimize marketing campaigns for higher effectiveness, and refine distribution strategies more effectively, maintaining its "relevance to consumers" and "winning with customers."

3. **Introduce a Beverage Subscription Model:**

Initiative: Develop and launch a **beverage subscription service** where consumers can sign up for regular deliveries of their favorite Coca-Cola products.

Rationale: This creates a convenient, personalized experience for consumers, fostering stronger loyalty and ensuring consistent product availability. For the company, it establishes a predictable and recurring revenue stream, enhances direct customer relationships, and provides valuable data on consumption patterns, supporting "customer preference" and "optimizing costs" through improved demand forecasting.

4. **Enhance Digital Engagement and Smart Manufacturing:**

Initiative:

- **Customer-Facing IT:** Create robust mobile applications and online platforms for direct customer interaction, feedback gathering, and personalized content delivery.
- **Smart Manufacturing:** Implement Industry 4.0 technologies (e.g., IoT, automation, predictive analytics) in production facilities.

Rationale: Digital platforms will deepen customer relationships, facilitate feedback loops, and enable personalized offers. Smart manufacturing will optimize production processes, reduce waste, improve product quality consistency, and enhance cost efficiency, aligning with the "building and leveraging superior organizational capability" and "continuously optimizing our costs" pillars.

5. Implement Product Customization and Personalized Loyalty Programs:

Initiative: Explore product customization programs, allowing consumers to create unique beverage mixes or design personalized labels. Simultaneously, expand existing loyalty programs to offer individualized discounts or privileges based on consumer data.

Rationale: This takes "Personalization of Services" to the next level, significantly enhancing consumer engagement and brand connection. It caters to the modern consumer's desire for unique experiences and reinforces brand loyalty, directly supporting the "winning with our customers" value.



Tasks and Questions for Students:

Task 1: Strategic Group Analysis and Interpretation

Instructions: Imagine you are a strategic consultant for Coca-Cola Beverages Ukraine. Based on the provided competitive strength table, visually represent the competitive landscape of the non-alcoholic beverage market in Ukraine.

Questions:

1. Using the data for "Width of assortment" and "Volumes of implementation" as your two axes, roughly sketch a strategic group map. Place Coca-Cola Beverages Ukraine and its three primary competitors ("Obolon," "Sandora," PepsiCo) on this map.

2. Based on the "Competitive power (absolute)" scores, explain what Coca-Cola Beverages Ukraine's overall strategy seems to be in comparison to its rivals. What are its strongest competitive advantages?

3. The case mentions "Panda," "Aquaplast," and "Erlan" as other enterprises. Based on their competitive strength table ratings (even if not explicitly given), where might these companies generally fall on your strategic group map, and what might their likely strategies be?

Task 2: Financial Resilience and Market Adaptation

Instructions: Analyze the financial data provided for Coca-Cola Beverages Ukraine, particularly focusing on the impact of the war in 2022.

Questions:

1. Quantify the negative impact of the war on Coca-Cola Beverages Ukraine's financial performance in 2022. Which specific financial indicators were most affected, and by what percentage?
2. Despite the significant challenges in 2022, the case states that "preliminary 2023 indicators already demonstrate some recovery and growth." What does this suggest about the company's resilience and its ability to adapt its management strategies?
3. Discuss how the company's commitment to "continuously optimizing our costs" might have played a role in mitigating some of the financial downturn observed in 2022.

Task 3: Mission, Values, and CSR Integration

Instructions: Review Coca-Cola HBC Ukraine's vision, core values, and CSR initiatives.

Questions:

1. How do Coca-Cola HBC Ukraine's core values (Authenticity, Excellence, Learning, Caring for Our People, Performing as One, Winning with Our Customers) underpin its "Play to Win" strategic framework?
2. Identify at least three of the company's preferred CSR areas. How do these align with the specifics of the beverage business, and how might they contribute to long-term brand equity and consumer trust?
3. The company states its principles include "pay attention to the needs of consumers" and "go to the market to learn, listen and observe." How do these principles relate to the idea of a "growth mindset" and adapting to market changes?

Task 4: Strategic Recommendations for Future Growth

Instructions: Evaluate the strategic recommendations provided in the case study for Coca-Cola Beverages Ukraine.

Questions:

1. Choose two of the proposed recommendations (e.g., eco-friendly packaging, AI for data, beverage subscription). For each, explain which specific strategic goal or value of Coca-Cola HBC Ukraine it primarily supports, and why it is a relevant recommendation for the current market.
2. Consider the recommendation to "Implement 'smart manufacturing' technologies." How might this specifically contribute to improving the company's "cost efficiency" and potentially its "quality" competitive factors?
3. If you were to add one more strategic recommendation for Coca-Cola Beverages Ukraine not already mentioned, focusing on leveraging its existing strengths in the Ukrainian market, what would it be and why?

TOPIC NO. 3: EVALUATION OF THE EXTERNAL AND INTERNAL ENVIRONMENT OF THE ENTERPRISE

Introduction

The lecture focuses on analyzing the external and internal environments of an enterprise. Understanding these environments is crucial for strategic decision-making. By identifying opportunities and threats in the external environment and assessing strengths and weaknesses within the organization, we can formulate effective strategies for success.

3.1 Microenvironment and Macroenvironment of the Enterprise:

The external environment can be divided into two main categories:

The general characteristics of the industry allow you to get answers to the following questions:

- 1. What economic characteristics are of primary importance for the industry?
- 2. What is driving change in the industry and what impact are they having?
- 3. What competitive forces operate in the industry and how strong are they?
- 4. Which organizations occupy strong/weak competitive positions?
- 5. Who will act in the future in a similar way in the competition?
- 6. What are the key factors that will determine competitive success or failure?
- 7. How attractive is the industry in terms of above-average returns?

Microenvironment (Task Environment). This refers to the forces that directly affect the enterprise's day-to-day operations and performance. Key elements include:

– Customers: Understanding customer needs, preferences, and buying behaviour is essential.

- Suppliers: The availability, cost, and quality of inputs from suppliers directly impact the enterprise.
- Competitors: Analysing competitor strategies, strengths, and weaknesses is crucial for competitive positioning.
- Intermediaries (Distributors, Retailers): These entities help the enterprise reach its customers.
- Publics: These are groups that have an interest in or impact on the organisation's ability to achieve its objectives (e.g., media, local communities, government agencies).



The indirect action environment

- covers the analysis of factors affecting organizations indirectly.
- Economic, political, socio-cultural, scientific-technological, environmental, and others are among the main ones that the company must carefully monitor and correctly assess the associated threats or opportunities during strategy development.

Macroenvironment (General Environment). This encompasses broader societal forces that indirectly affect the enterprise. PESTLE analysis is a common framework for analysing the macroenvironment:

- Political: Government policies, regulations, and political stability.
- Economic: Economic growth, inflation, interest rates, and unemployment.
- Social: Cultural trends, demographics, lifestyle changes, and social values.

- Technological: Technological advancements, innovation, and automation.
- Legal: Laws and regulations related to business operations.
- Environmental: Environmental regulations, climate change, and sustainability concerns.

The environment of direct influence on the organization

- is formed by certain subjects — consumers, competitors, suppliers, state bodies, financial and credit institutions and other external agents and counterparties.
- This environment is also called the task environment because it includes elements that are directly related to the organization's operations.



3.2 Hierarchical and Non-Hierarchical Models of the External Environment

Hierarchical Models. These models structure the external environment into distinct layers, often moving from the general to the specific. The PESTLE framework, combined with Porter's Five Forces (which focuses on industry competition within the microenvironment), is a good example. The idea is that macro factors influence the industry, which then influences the individual firm.

Non-Hierarchical Models. These models acknowledge the interconnectedness and complexity of the external environment. They recognize that factors can interact and influence each other in non-linear

ways. Network analysis, stakeholder mapping, and scenario planning are examples of non-hierarchical approaches. These models are useful for understanding complex relationships and anticipating unexpected events.

3.3 Approaches to the Analysis of the External Environment. Regional Peculiarities

Several approaches are used to analyze the external environment:

- Environmental Scanning: Monitoring various sources of information to identify emerging trends and potential threats or opportunities.
- Industry Analysis (Porter's Five Forces): Analyzing the competitive forces within a specific industry.
- Competitor Analysis: Gathering intelligence on competitors' strategies, strengths, and weaknesses.
- Scenario Planning: Developing different scenarios of the future and assessing their potential impact on the enterprise.

Regional Peculiarities: It's crucial to consider regional differences when analyzing the external environment. These can include:

- Economic conditions: Different regions may experience varying levels of economic growth, inflation, and unemployment.
- Cultural norms: Cultural values and beliefs can significantly impact consumer behavior and business practices.
- Political and legal frameworks: Regulations and legal systems can vary significantly across regions.
- Infrastructure: The availability of infrastructure, such as transportation and communication networks, can affect business operations.

“Industry competition” method

An analysis is carried out using the “industry competition” method of Professor M. Porter of the Harvard Business School.

Among the factors of indirect influence that form the level of industry competition, the following are distinguished:

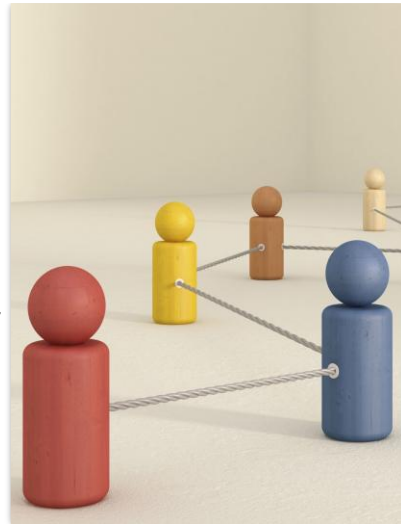
1. Rivalry among competing sellers of goods in this industry.
2. Potential entry of new competitors.
3. Attempts by companies in other industries to expand the range of consumers of their substitute goods.
4. Trading power and “leverage” of suppliers of production factors.
5. Trading power and “leverage” of buyers of industry products.

3.4 Internal State of the Enterprise

The internal state of the enterprise encompasses its resources, capabilities, and organizational structure.

The components of the internal environment include

- **Organizational Goals and Policies** – Goals are the long-term desired outcome of an organization. They are the expected end results. Policies are broad guidelines for organizational activities. An organization with precise and well-communicated goals and policies is regarded as stronger.
- **Organizational Resources** – Resources are the foundation for strategy. The resources include tangible (financial, organizational, physical resources) and intangible (human, innovation, reputational resources).
- **Organizational Structure** – It specifies jobs and relationships. It defines job allocation, responsibility, and accountability.
- **Organizational Culture** – The shared values, norms, behavior, and belief of an organization is organizational culture. It influences how an organization conducts its business



Resources: These are the assets that the enterprise possesses, such as financial resources, human resources, physical assets, and intellectual property.

Capabilities: These are the enterprise's abilities to utilize its resources effectively. This includes skills, knowledge, and processes.

Organizational Structure: This defines how tasks are divided, coordinated, and controlled within the enterprise.

Organizational Culture: The shared values, beliefs, and norms that shape employee behavior and attitudes.

3.5 Analysis of the Internal Environment of the Enterprise

Several tools and techniques are used to analyze the internal environment:

- **Value Chain Analysis:** Examining the activities that the enterprise performs to create value for its customers.
- **Resource-Based View (RBV):** Identifying the enterprise's valuable, rare, inimitable, and non-substitutable (VRIN) resources and capabilities that provide a competitive advantage.
- **SWOT Analysis (Strengths and Weaknesses):** Summarizing the enterprise's internal strengths and weaknesses.



- **Financial Analysis:** Evaluating the enterprise's financial performance using key ratios and metrics.
- **Benchmarking:** Comparing the enterprise's performance to that of industry best practices.

Factors influencing Internal environment:



Conclusion:

Analyzing both the external and internal environments is essential for effective strategic management. By understanding the opportunities and threats in the external environment and assessing the enterprise's internal strengths and weaknesses, we can formulate strategies that leverage our advantages and mitigate our risks. This analysis forms the basis for setting realistic goals and developing effective strategies for achieving them.



CASE STUDY: PJSC "CARLSBERG UKRAINE"

1. Introduction to Carlsberg Ukraine

PJSC "Carlsberg Ukraine", a key subsidiary of the global Carlsberg Group, stands as a dominant force in the Ukrainian beverage sector. Founded in 1847, the Carlsberg Group is a world leader in brewing, boasting a vast portfolio of beer and other beverages. As a significant Danish investor in Ukraine, the Group is committed to fostering positive societal development across all its markets.

The Carlsberg Group's international footprint is substantial, with products distributed in over 150 countries and a global workforce exceeding 40,000. Its flagship Carlsberg brand enjoys international recognition, while Baltika, Carlsberg, and Tuborg are among Europe's top six beer brands.

In Ukraine, Carlsberg has cemented a strong position within the food and beverage industry. As of 2020, Carlsberg Ukraine led the kvass, cider, and soft drink categories, with its Lvivske brand achieving the top spot in the Ukrainian beer market. The company's dedication to Ukraine was further highlighted by its official sponsorship of the UEFA EURO 2012™ championship in Poland and Ukraine.

Carlsberg Ukraine operates three factories located in Zaporizhzhia, Kyiv, and Lviv, employing approximately 1,350 individuals. Since 2014, Yevhen Shevchenko has served as the general director.

Nielsen market data consistently demonstrates Carlsberg Ukraine's robust performance. In 2016, the company held a 29.9% share of the Ukrainian beer market and a 44.7% share of the kvass market (in natural terms). By 2020, Carlsberg Ukraine's market share (in natural terms) had grown to 30.3%.

The company's diverse product portfolio in Ukraine includes both alcoholic and non-alcoholic beverages. Notable brands include Lvivske, Robert Doms, Baltika, Carlsberg, Tuborg, Kronenbourg 1664, Arsenal, Kvas

Taras, Somersby, Guinness, Seth&Riley's Garage, Warsteiner, and Grimbergen.

2. Strategic Framework: SAIL '22

Carlsberg Group operates under the SAIL '22 strategy, launched in March 2016. This strategy aims to fortify key business areas, drive company growth, and enhance shareholder profits. SAIL '22's overarching mission is to position Carlsberg as the most Successful, Professional, and Attractive brewing company in its chosen markets. The strategy is built upon three core priorities: "Strengthening core brands," "Sustainable growth," and "Creating a winning culture."

Carlsberg's purpose is threefold:

1. **Successful Company:** To ensure the growth of gross and net profit.
2. **Professional Company:** To excel in customer service through heightened attention to consumer needs, robust customer relations, effective product category management, and swift implementation of logistics innovations.
3. **Attractive Company:** To focus on creating shared value for shareholders, employees, and society.

To achieve these goals, the SAIL '22 strategy emphasizes four key priorities:

1. **Strengthening positions:** Leveraging strong beer brands and market positions to drive growth.
2. **Sustainable growth:** Stimulating growth in regions and segments with long-term development opportunities.
3. **Creating shareholder value:** Delivering enhanced value growth for shareholders.
4. **Creating a winning culture:** Ensuring effective interaction within the Group.

3. Financial Performance of PJSC "Carlsberg Ukraine"

An analysis of PJSC "Carlsberg Ukraine"'s financial performance reveals several key trends:

- Net profit significantly increased by UAH 627,705,000 compared to 2018 and by UAH 546,306,000 compared to 2019.
- Total assets decreased, with the share of defense assets dropping from 67.95% in 2018 to 52.82% in 2019.
- Non-current assets' share increased due to a rise in fixed assets from 26.44% in 2018 to 40.90% in 2019.
- Solvency is confirmed by normative values of liquidity ratios (absolute, intermediate, and current).
- The coefficient of provision with own funds was 0.23 above the norm in 2019, indicating that current assets are adequately covered by the company's own and equivalent sources.
- The company primarily finances its assets with its own capital, as evidenced by the autonomy coefficient exceeding the normative indicator by 0.14 in 2019.
- All profitability indicators (assets, expenses, products, equity) showed an increasing trend, demonstrating the enterprise's continued profitability despite challenges such as inflation, increased excise duty, and decreased purchasing power.

Future plans for Carlsberg Ukraine include further capital investments aimed at increasing production capacity, developing logistics, and implementing innovative projects.

4. PEST Analysis

The **PEST analysis** method is employed to assess key market trends and identify potential threats and opportunities for a company's SWOT analysis. It systematically examines four macro-environmental factors: Political, Economic, Social, and Technological. Typically presented in a four-quadrant table, this analysis describes the current state of each factor and forecasts changes for the next 3-5 years, providing insights for long-term

strategic formation. For companies operating in multiple markets or industries, separate PEST analyses are recommended for each.

- **Political factors** encompass the stability of political power and government, bureaucracy and corruption levels, tax policy, media independence, industry protectionism, intellectual property protection, environmental legislation, current and future industry regulations, and the possibility of military operations.

- **Economic factors** include economic growth rates, inflation and interest rates, major currency exchange rates, unemployment levels, wages and payment terms, entrepreneurship development, monetary and fiscal policies, economic globalization, and banking sector development.

- **Social factors** involve healthcare and education levels, attitudes towards imported goods and services, work, leisure, and retirement attitudes, product quality and service level expectations, lifestyle and consumption habits, religious and belief system developments, attitudes towards natural and eco-friendly products, population growth rate, immigration attitudes, and family size and structure.

- **Technological factors** address industry innovation and technological development, research and development expenditure, technological equipment legislation, internet and mobile device proliferation, access to cutting-edge technologies, and technology implementation and transfer.

PEST analysis facilitates the development of a financial strategy aligned with macro-environmental conditions, complementing SWOT analysis by identifying external factors that influence opportunities and threats. When conducting a PEST analysis, it is crucial to consider the potential impact of these four main macroeconomic factors on the company's activities.

Table 3.1. PEST Analysis of PJSC "Carlsberg Ukraine"

Factor	Key Elements	Impact Assessment
Politics	1. Changes in tax legislation	+2
	2. Political instability	-2
Economics	1. Level of demand	+5
	2. Deflation	+1
	3. Exchange rate fluctuations	-3
	4. Infrastructural/resource changes; dependence on imported raw materials	-4
Society	1. Personnel shortage	-2
	2. Change in incomes of the population	+2
	3. Low level of working conditions and safety equipment	-1
	4. Demographic changes	-1
Technology	1. Technological backwardness, high depreciation of fixed assets	-2
	2. The speed of updating and mastering new technologies	+3

The analysis of the external environment, particularly through the PEST framework, provides crucial insights into the forces shaping a company's operations. The political factor offers an understanding of state authorities' intentions regarding societal development and policy implementation. The economic aspect reveals how economic resources are formed and distributed at the state level, which is paramount for business activity. Studying the social component helps assess the impact of social phenomena like attitudes towards work, quality of life, mobility, and consumer behavior. Finally, the technological component allows for predictions related to scientific and technological advancements, enabling timely adaptation for product development and market positioning.

Based on the generalized PEST-analysis matrix in Table 3.1, it can be concluded that the most influential factors for PJSC "Carlsberg Ukraine" are economic factors, specifically product demand, changes in market price levels, and dependence on imported raw materials. Political factors,

manifested in political instability and changes in tax legislation, also exert significant influence.

5. Strategic Implications and Conclusion

Considering the capabilities of PJSC "Carlsberg Ukraine" and the factors influencing its external environment, a strategic direction can be determined, aligning with the organization's goals.

Given that the company operates in a developing market characterized by strong competition, a combined strategy will be most beneficial. This strategy should aim to leverage the company's competitive advantages and involve deeper market penetration, allowing Carlsberg Ukraine to further solidify its leadership position and achieve sustained growth.



Tasks and Questions for Students:

Task 1: PEST Analysis Application and Prioritization

Based on the provided general description of the PEST framework and the specific conclusions drawn for PJSC "Carlsberg Ukraine," elaborate on why the identified factors are considered most influential.

a) Political Factors: Explain how "political instability" and "changes in tax legislation" could specifically impact a company like Carlsberg Ukraine. Provide concrete examples of potential challenges or opportunities arising from these factors.

b) Economic Factors: Discuss the specific implications of "product demand," "changes in market price levels," and "dependence on imported raw materials" for Carlsberg Ukraine's operations and profitability. Consider how each of these factors might require strategic responses from the company.

c) **Justification of Influence:** Based on your understanding, why do you think the text identifies economic and political factors as "most influential" for Carlsberg Ukraine, compared to social or technological factors (which are generally part of a full PEST analysis but not highlighted here)? What characteristics of the beverage industry or the Ukrainian market might explain this emphasis?

Task 2: Strategic Response to External Environment

The text concludes that a "combined strategy" aiming for "deeper market penetration" will be most beneficial for Carlsberg Ukraine due to operating in a "developing market characterized by strong competition."

a) Define "Deeper Market Penetration" in the context of a beverage company like Carlsberg Ukraine. What specific actions or initiatives would this strategy involve?

b) **Connect to PEST Analysis:** Explain how the identified most influential economic and political factors (from Task 1) necessitate or support the choice of a deeper market penetration strategy. How can this strategy help Carlsberg Ukraine mitigate threats or capitalize on opportunities arising from these external factors?

c) **Competitive Advantage:** The text mentions leveraging "competitive advantages." Although not explicitly detailed, infer what types of competitive advantages Carlsberg Ukraine (as part of a major international holding) might possess that would be crucial for a deeper market penetration strategy in a competitive, developing market.

Task 3: Limitations and Further Analysis

The provided PEST analysis is a "generalized matrix." Critically evaluate the information given regarding the PEST analysis and suggest areas where further, more detailed analysis would be beneficial for Carlsberg Ukraine.

a) Missing PEST Details: Identify which specific aspects of the Social and Technological PEST factors are not explicitly discussed in the provided text for Carlsberg Ukraine. For each, briefly explain why these might still be relevant for a beverage company's strategic planning, even if not highlighted as "most influential" in this summary.

b) Beyond PEST: What other external environmental analysis frameworks or tools (besides SWOT and PEST) could complement the analysis for Carlsberg Ukraine to provide a more holistic understanding of its operating environment? Briefly explain what insights each suggested tool would offer that PEST alone might miss.

c) Dynamic Environment: Given the description of Ukraine as a "developing market characterized by strong competition" and the mention of "political instability," discuss why a PEST analysis, while valuable, needs to be a continuous and dynamic process for Carlsberg Ukraine. What are the risks of relying on a static or outdated PEST assessment in such an environment?

TOPIC NO. 4: BUSINESS STRATEGIES

Introduction

The lecture focuses on business strategies, specifically how organizations make decisions regarding competition and the various types of competitive strategies available. A well-defined business strategy is crucial for achieving a sustainable competitive advantage and long-term success.

4.1 Models and Methods of Decision-Making Regarding Competition:

Several models and methods assist organizations in making informed competitive decisions:

– **Porter's Five Forces:** This model analyzes the competitive forces within an industry:

Threat of New Entrants: How easy is it for new competitors to enter the market?

Bargaining Power of Suppliers: How much power do suppliers have to influence prices and terms?

Bargaining Power of Buyers: How much power do customers have to negotiate prices?

Threat of Substitute Products or Services: How easily can customers switch to alternative products or services?

Rivalry Among Existing Competitors: How intense is the competition between existing players in the market?

Understanding these forces helps organizations assess industry attractiveness and develop appropriate competitive strategies.

– **Game Theory:** This mathematical framework analyzes strategic interactions between competitors. It helps organizations anticipate competitor actions and develop optimal responses. Concepts like the Prisoner's Dilemma and Nash Equilibrium are central to game theory.

– **Competitive Intelligence:** This involves gathering and analyzing information about competitors to understand their strategies,

strengths, and weaknesses. This can involve market research, competitor profiling, and monitoring industry trends.

- **SWOT Analysis (in a competitive context):** Comparing your organization's strengths and weaknesses against those of your competitors helps identify areas where you have a competitive advantage or disadvantage.

- **Scenario Planning:** Developing different scenarios about the future competitive landscape allows organizations to prepare for various contingencies.

4.2 Classification of Business Strategies Based on Competitive Advantage:

Michael Porter identified three generic competitive strategies that organizations can pursue to achieve a sustainable competitive advantage:

- **Cost Leadership:** This strategy focuses on achieving the lowest costs of production and operation in the industry. This allows the organization to offer products or services at lower prices than competitors, attracting price-sensitive customers. Key requirements include efficient operations, economies of scale, and tight cost control.

- **Differentiation:** This strategy focuses on offering unique and superior products or services that customers perceive as valuable and are willing to pay a premium for. This can be achieved through product features, quality, branding, customer service, or technology.

- **Focus (or Niche):** This strategy involves targeting a specific segment of the market (a niche) and tailoring products or services to meet the specific needs of that segment. This can be combined with either cost leadership (focused cost leadership) or differentiation (focused differentiation).

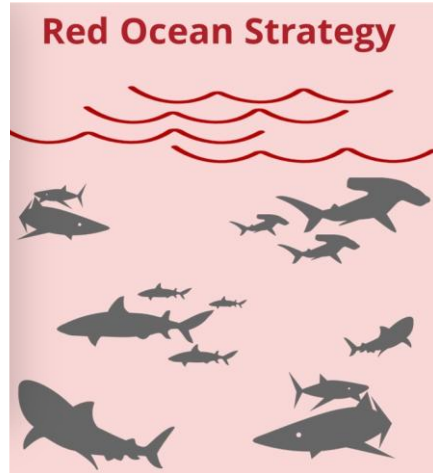
4.3 Five General Strategies of Competition (Low Costs, Differentiation, Optimal Costs, Focused Strategies of Low Costs and Differentiation):

Expanding on Porter's generic strategies, we can identify five general competitive strategies:

- **Cost Leadership (Low Costs):** As described above, this strategy aims for the lowest costs in the industry. Examples: Walmart, Aldi.
- **Differentiation:** As described above, this strategy aims to offer unique and superior value. Examples: Apple, Mercedes-Benz.
- **Best-Cost Provider (Optimal Costs):** This strategy seeks to offer customers the best value for their money by combining relatively low costs with decent differentiation. It aims to offer more value than a pure cost leader while maintaining lower costs than a pure differentiator. Examples: Target, Toyota.
- **Focused Cost Leadership:** This strategy focuses on achieving cost leadership within a narrow market segment. This is often used by smaller companies that cannot compete on cost with larger players in the entire market. Examples: A local discount grocery store targeting a specific neighbourhood.
- **Focused Differentiation:** This strategy focuses on offering unique and superior value to a specific market segment. This allows organizations to cater to the specific needs and preferences of a niche market. Examples: Ferrari (high-performance sports cars), specialized organic food stores.

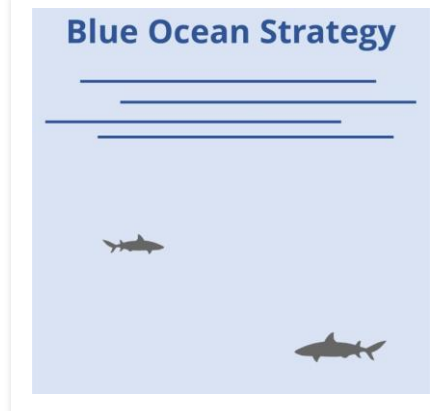
Red ocean strategy is

- when companies try to outperform their rivals to grab a greater share of existing demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities, and cutthroat competition turns the red ocean bloody.



Blue Ocean Strategy is

- referred to a market for a product where there is no competition or very less competition. This strategy revolves around searching for a business in which very few firms operate and where there is no pricing pressure.



Choosing the Right Strategy:

The choice of competitive strategy depends on several factors, including:

- **Industry structure and competitive forces:** The intensity of competition, the bargaining power of buyers and suppliers, and the threat of new entrants and substitutes.
- **Organizational resources and capabilities:** The organization's strengths and weaknesses, its financial resources, and its technological capabilities.
- **Target market:** The needs and preferences of the target customers.

It's crucial to choose a strategy that aligns with the organization's resources and capabilities and is appropriate for the competitive environment. Attempting to pursue multiple strategies simultaneously (e.g., trying to be both the lowest-cost provider and the most differentiated) can lead to a "stuck in the middle" situation and result in poor performance.

Conclusion:

Understanding the various competitive strategies available is essential for organisations seeking to achieve a sustainable competitive advantage. By analysing the competitive landscape and aligning their strategies with their resources and capabilities, organisations can position themselves for success in the marketplace.



CASE STUDY: LLC "SILPO-FOOD"

1. General Characteristics of the Selected Enterprise

Limited Liability Company "Silpo-FOOD" was officially registered on August 5, 2016, in Kyiv, Ukraine. While "Silpo-FOOD" is a relatively recent registration, it is an integral part of one of Ukraine's largest non-public business groups, Fozzy Group. The "Silpo" trade network, a cornerstone of Fozzy Group's operations, was established significantly earlier in 1998, predating "Silpo-FOOD"'s registration by eighteen years. Fozzy Group is a highly diversified holding, currently encompassing approximately 78

companies. It stands as a leading domestic retailer, boasting 305 retail outlets across the country and a portfolio of own trademarks.

The extensive business model of Fozzy Group reflects significant diversification, including: food retail, restaurants, poultry farms, fisheries, pharmacies, electronics chains, a delivery service, and even a bank. This broad scope demonstrates a comprehensive approach to the consumer market.

The primary registered activity of LLC "Silpo-FOOD" is retail trade in non-specialised stores, predominantly focusing on food products, drinks, and tobacco products, classified under KVED 47.11. However, the company is engaged in approximately 57 other types of activities according to the classifier, indicating a very high level of internal diversification. Specifically, LLC "Silpo-FOOD" encompasses: the network of "Silpo" supermarkets, "Le Silpo" delicacy markets, logistics operations, food production, "Resto" food courts within its retail chains, and the "Positano" pizzeria.

2. Mission and Strategic Goals

The core mission of LLC "Silpo-FOOD" is to satisfy the needs of its customers. This mission is underpinned by a defined set of core values: care for employees, honesty and openness, cooperation, relentless excellence, hospitality, innovation, waste minimisation, and a willingness to experiment.

The company's production activities foster enduring connections among its employees, contributing to organisational integrity, integration, and unification across administrative, technological, labour, and financial dimensions. The management structure of "Silpo-FOOD" is a linear-functional structure, adhering to the "mine" principle of creation and specialization of management processes based on functional subsystems. Within this framework, certain subsystems also incorporate hierarchical links among their constituent elements. LLC "Silpo-FOOD" is committed to the principles of sustainable development. The company has developed its

own comprehensive environmental management strategies addressing environmental load, energy efficiency, water use, and waste minimization, alongside various social programs.

3. Assessment of the Financial Condition

As of December 31, 2022, LLC "Silpo-FOOD" reported a significant loss of UAH 7,633,195 thousand. At the same date, the Group faced a working capital deficit of UAH 16,853,675 thousand and negative net assets amounting to UAH 10,689,935 thousand.

A critical financial challenge for the Group as of December 31, 2022, was its failure to meet the requirements for financial obligations under some long-term credit agreements. Consequently, a balance of UAH 1,319 million in bank loans was reclassified and reflected as short-term liabilities. To address these solvency issues and maintain continuity of operations, the Group's management formulated a strategy for the restructuring of existing loan arrears, loans, and leasing contracts. This strategy aims to defer the repayment of the principal debt in 2023, based on payment schedules agreed upon before the start of military operations in Ukraine. This adopted strategy is crucial for stabilizing the Group's liquidity and ensuring the maximum possible continuity of its operational activities.

4. Description of the Analysis Method: Porter's Five Forces

To conduct a detailed competitive analysis of LLC "Silpo-FOOD," Porter's Five Forces Model is employed. This model identifies five key competitive forces that shape the profitability and attractiveness of an industry. These forces are:

1. **Competitive Rivalry:** This force examines the intensity of competition among existing players. Factors include the number and strength of rivals, product quality comparison, pricing strategies, and marketing intensity. High rivalry often leads to price wars and increased customer switching.

2. **Supplier Power:** This force assesses the ability of suppliers to increase prices or reduce the quality of inputs. Key considerations include

the number of suppliers, switching costs, and the uniqueness of supplier offerings. Greater supplier power can impact profitability.

3. **Buyer Power:** This force evaluates the ability of buyers to drive down prices or demand higher quality. Factors include the number of buyers, the size of their orders, switching costs, and the standardization of products or services. High buyer power can reduce profitability.

4. **Threat of Substitution:** This force considers the likelihood of customers finding alternative ways to satisfy their needs. This can involve cheaper or better substitute products or services. The threat increases with easy switching and the emergence of desirable new alternatives.

5. **Threat of New Entry:** This force assesses the ease with which new competitors can enter the market. Barriers to entry, such as capital requirements, regulatory hurdles, access to distribution channels, and economies of scale, determine the intensity of this threat. Lower barriers can quickly erode market positions. In this analysis, each parameter within these five forces will be evaluated on a scale to indicate its impact on the company
1: Low impact, **2** : Average impact, **3:** High impact.

5. Conducting Analysis Using Enterprise Data

Table 4.1. Assessment of the Threat of New Entrants

Parameter	Estimation	Characteristic
Economies of scale	1	Reduction in the cost of operating expenses for enterprises.
Industry growth	2	Industries with fast growth rates are more available for entry of new subjects.
Diversification of offers on market	2	The presence of individual, specific offers for buyers.
Barriers to market entry	2	The high level of costs makes it difficult for new entities to appear on the market.
Government policy	3	Regulatory, legal restrictions, or politics focused on supporting business development.
Access to sales channels	3	The difficulty of the path from suppliers to buyers reduces the attractiveness of the industry.

The total score for the threat of new entrants is 13 out of 18 points, which characterises the level of threat as average. This is attributed to the retail market's stable demand and dynamic nature. While traditional barriers to entry (like physical store rentals) are less impactful due to the rapid growth of online sales, government policy and access to sales channels present more significant hurdles for newcomers.

Table 4.2. Assessment of Existing Competitors

Parameter	Estimation	Characteristic
The number of subjects on market	2	The presence of monopoly players reduces competition on the market.
A diversified offer on the market	2	Availability of special offers for buyers affects the level of loyalty.
Market growth rate	2	Fast growth rates reduce the possibility of change in the market volumes of existing players.
Limited build-up added value	1	Restrictions on added value lead to a decrease in the possibility of expanding profit.

The score for existing competitors is 7 out of 12 points, indicating an average level of competition among market subjects. This is largely due to Silpo-FOOD being the second-largest player by market share, offering some resilience against competitors. However, the continuous emergence of new retail objects poses a risk to its current position.

Table 4.3. Assessment of Power of Suppliers on the Activities

Parameter	Estimation	Characteristic
The number of suppliers on the market	3	Diversification of suppliers contributes to the reduction of dependence on them.
Switching costs suppliers	1	Significant costs when changing suppliers lead to a decrease in the lumpiness of changes.
The presence of unique offers from suppliers	3	Availability of unique offers from suppliers contributes to the growth of dependence on them.
Market priority for suppliers	2	The work of suppliers in the market with low priority is often characterised by low quality of services.

Table 4.4. Evaluation of the Power of Buyers on the Activity

Parameter	Parameter Estimation	Characteristic
Quantitative relationship buyers and market subjects	3	The greater the concentration of buyers on 1 retail object, the less dependence on buyers.
Standardization of service	2	Availability of unique services contributes to the level of buyer loyalty.
Ease of changing sellers	3	If there are no losses from changing sellers, the dependence of buyers on sellers decreases.
The company's pricing policy	2	Optimum price-quality ratio for a certain market segment allows to increase buyer loyalty.

The score for supplier power is 9 out of 12 points, indicating a more than average level of influence from suppliers. For retail enterprises, establishing favourable cooperation conditions with large, in-demand suppliers is crucial. While Silpo-FOOD can leverage its size to negotiate with smaller suppliers, its dependence on larger, potentially international, suppliers can be significant, especially if those suppliers do not prioritise the Ukrainian market.

Result: The score for buyer power is 10 out of 12 points, characterizing a more than average dependence on buyers. This is primarily due to the highly developed retail market with diverse segments. Silpo-FOOD's presence across many of these segments creates challenges in optimizing for all, and the ease with which consumers can switch sellers, coupled with the importance of competitive pricing, gives buyers considerable leverage.

Threat of Substitution

The threat of substitute products is currently low. The primary substitute for traditional in-store trade is e-commerce. Given that Fozzy Group, and by extension "Silpo-FOOD", is actively developing its presence

in online retail, this internal diversification mitigates the external threat posed by this substitute.

6. Conclusions and Recommendations for Improving the Company's Strategy

The Porter's Five Forces analysis reveals that LLC "Silpo-FOOD" operates in a complex competitive environment. The company exhibits high dependence on both suppliers and buyers, a characteristic explained by the inherent specifics of the retail market. The reliance on international suppliers, for whom the Ukrainian market may not be a top priority, necessitates a focus on building and maintaining highly effective cooperation.

Conversely, the threats from new market entrants and existing competitors are assessed as average. This is due to the industry's stable development, the absence of significant traditional entry barriers (especially with the rise of online sales), but also the presence of other large, established players.

Given these insights, it is crucial for LLC "Silpo-FOOD" to prioritize the following in its strategic development:

1. **Strengthen Supplier Relationships:** Given the high supplier power, "Silpo-FOOD" should proactively work on diversifying its supplier base where possible, establishing long-term, mutually beneficial partnerships, and potentially exploring vertical integration for key product categories to reduce dependency and mitigate risks associated with international suppliers.

2. **Enhance Buyer Loyalty and Differentiation:** The high buyer power necessitates continuous efforts to enhance customer loyalty. This can be achieved through:

- Further development and personalization of the **Silpo retail experience**, leveraging its unique store formats and "Resto" food courts.

- Expanding and promoting its **own private label brands** to offer unique value and quality that competitors cannot easily replicate.
- Optimizing its **pricing strategy** to maintain competitiveness while offering perceived value, possibly through targeted promotions and loyalty programs.
- Leveraging its **diversified offerings** (e.g., electronics, pharmacies, delivery services) to create a comprehensive ecosystem that increases customer stickiness.

3. **Continue Digital Transformation:** Despite the low immediate threat of substitution from e-commerce due to its existing online presence, "Silpo-FOOD" must relentlessly innovate and invest in its **e-commerce and delivery capabilities**. This ensures it remains at the forefront of evolving consumer purchasing habits and captures a larger share of the online grocery market.

4. **Address Financial Vulnerabilities:** The significant financial losses, working capital deficit, and negative net assets require immediate and sustained attention. While the strategy for loan restructuring is a positive step, it is crucial for management to:

- **Improve operational efficiency** to reduce administrative, selling, and other operating expenses.
- **Optimize inventory management** to reduce working capital requirements.
- **Seek additional capital** or explore strategic partnerships to strengthen its financial position and support future growth.
- Develop robust **contingency plans** to navigate unforeseen economic challenges, particularly in the current geopolitical climate in Ukraine.

By actively managing these external threats and internal financial challenges, "Silpo-FOOD" can reinforce its strategic position and ensure

sustainable development within the highly competitive Ukrainian retail landscape.



CASE STUDY: SAMSUNG ELECTRONICS CO., LTD.

1. General Characteristics of the Selected Enterprise

Samsung Electronics Co., Ltd., incorporated in 1969 under the laws of the Republic of Korea and listed on the Korea Stock Exchange in 1975, is a global powerhouse in the semiconductor, telecommunication equipment, and digital convergence technology sectors. Recognizing the dawn of the digital age, Samsung Electronics strategically restructured its operations to concentrate on digital technologies. Its overarching ambition today is to become the leading provider of advanced information solutions and an undisputed leader in digital convergence technologies.

The company's entire operational framework, from marketing and sales to research and production, is seamlessly integrated through electronic technologies and extensive internet utilization. This highly streamlined and efficient operational scheme emphasizes speed and ease, allowing Samsung Electronics to singularly focus on fulfilling customer needs through superior goods and services. Leveraging its cutting-edge semiconductor and CDMA technologies, Samsung Electronics delivers comprehensive digital solutions for both home and office environments. These solutions are pivotal in facilitating reliable connectivity, seamless internet access, bolstering business operations, and driving advancements in the digital entertainment industry.

Samsung Electronics has consistently demonstrated its capacity as a technological innovator, often outpacing other industry giants. As a developer, manufacturer, and distributor of consumer electronic products, the company maintains a stable and leading position in the market. Its unparalleled competitiveness is a testament to its relentless pursuit of constant improvement, pioneering new developments, and integrating the latest technologies and organizational and management methodologies. This

commitment has propelled Samsung Electronics to become one of the world's largest multi-billion dollar corporations, enabling it to sustain a robust competitive standing.

The core competitive advantages of Samsung Electronics include:

1. **Research and Development (R&D):** Samsung Electronics exhibits a proactive approach to R&D, consistently prioritizing customer needs ahead of competitors. This allows them to develop innovative products that precisely align with market demands. The company is also a staunch advocate for technology standardization and the rigorous protection of intellectual property rights.

2. **Innovative and Design Capabilities:** Samsung Electronics has garnered numerous accolades over the years for its innovatively designed products. Notably, the prestigious Consumer Electronics Show (CES) has recognized Samsung Electronics for product innovation and design for an impressive 13 consecutive years. Furthermore, its unwavering dedication to producing environmentally friendly products and reducing greenhouse gas emissions has earned global recognition.

3. **Combination of Japanese and American Strategies:** Samsung Electronics ingeniously blends the broad product range typical of Japanese companies with the focused approach often seen in American firms. This unique combination manifests as both **horizontal diversification** (offering a wide array of products) and **vertical integration** (specializing in manufacturing processes), allowing the company to maintain a diverse portfolio while simultaneously excelling in production.

4. **Leadership in the Smartphone Industry:** In 2017, Samsung Electronics commanded the smartphone industry with a remarkable 33.71% market share. While the landscape has evolved with more players, Samsung maintained a 31.81% market share among 53 companies in 2018, demonstrating a gradual increase in its dominance.

Today, Samsung Electronics continues to uphold its reputation as the "world's best" technology supplier. However, to sustain these hard-won market positions, the company must remain acutely aware of and adapt to the ever-changing dynamics of both its external and internal environments.

2. Mission and Strategic Goals

Mission: "We use the company's human and technological resources to create products and services of excellent quality, thereby contributing to the improvement of the global state of society." (SAMSUNG Electronics)

This mission statement highlights Samsung's commitment to leveraging its core assets—its workforce and technological prowess—to deliver high-quality products and services. Crucially, it extends beyond mere profit generation, emphasizing a broader societal contribution and the betterment of the global community.

Strategic Goals:

- **Innovative product development:** Continuously pushing the boundaries of technology to create groundbreaking products.
- **Flexible competitive behavior:** Adapting swiftly to market changes and competitive pressures.
- **Openness to new technologies:** Embracing and integrating emerging technological advancements.

These strategic goals align with Samsung's history of innovation and its proactive stance in the dynamic electronics industry, ensuring its continued relevance and leadership.

3. Assessment of the Financial Condition (Q3 2023)

Samsung's financial performance for Q3 2023 indicated a resilient recovery despite a year-over-year decline. The company's operating profit for July-September 2023 was estimated at \$1.79 billion. While this represents a significant 78% drop from nearly \$7 billion in Q3 2022, it notably beat analysts' expectations by 2%, leading to a 3.3% rise in the company's shares, outperforming the overall market's 1.4% rise.

Crucially, the Q3 2023 profit marked a substantial improvement from previous quarters. Samsung had posted its lowest operating profit since 2009 in Q1 2023 (\$477 million) and a modest \$500 million in Q2 2023. The severe downturn in the first two quarters was largely attributable to the chip manufacturing business, which incurred losses of \$3.41 billion in Q1 and \$3.25 billion in Q2 due to falling prices and inventory values.

However, the third quarter saw a narrowing of this loss in the chip business to approximately \$2 billion. This improvement was a direct result of Samsung's strategic focus on producing profitable DRAM chips and its continued efforts to cut production of legacy chips. Despite these positive signs in profitability recovery, Samsung's revenue in Q3 2023 was approximately \$50 billion, a 13% decrease compared to Q3 2022. It is also noteworthy that the operating profit of the company's mobile business remained stable at almost \$2 billion, consistent with its performance in 2022, demonstrating a solid performance in a key segment.

4. Description of the Analysis Method: Porter's Five Forces

Porter's Five Forces is a widely recognized framework for analyzing the competitive environment within an industry. Developed by Harvard Business School professor Michael E. Porter and published in his 1979 book "Competitive Strategy: Methods for Analyzing Industries and Competitors," this model identifies and analyzes five key competitive forces that collectively shape the profitability and attractiveness of any industry. It is a powerful tool for understanding industry structure, identifying inherent weaknesses and strengths, and formulating corporate strategies aimed at enhancing competitive advantage and long-term profitability. The model can be applied across any economic segment to gauge the intensity of competition.

The five forces are:

1. **Competitive Rivalry (Rivals):** This force assesses the intensity of competition among existing firms in the industry. Factors include the number of competitors, their relative size and strength, the similarity of their products/services, and their willingness to engage in price wars or aggressive marketing. High rivalry reduces a company's power to set prices and terms.
2. **Threat of New Entrants:** This force considers the ease with which new competitors can enter the market. Low barriers to entry (e.g., minimal capital requirements, easy access to technology or distribution) increase this threat, potentially diluting market share and profitability for existing players. High barriers to entry protect incumbents.
3. **Bargaining Power of Suppliers (Power of Suppliers):** This force analyzes the ability of suppliers to dictate terms, such as increasing prices for inputs or reducing their quality. Supplier power is high when there are few suppliers, their inputs are unique or critical, or switching costs to alternative suppliers are high.
4. **Bargaining Power of Buyers (Power of Customers):** This force examines the ability of customers to drive down prices or demand higher quality/more services. Buyer power is high when there are few buyers, they purchase in large volumes, products are undifferentiated or switching costs to other sellers are low.
5. **Threat of Substitute Products or Services:** This force considers the likelihood of customers finding alternative products or services from outside the industry that can fulfill the same need. A high threat of substitutes limits a company's pricing power and can erode demand.

Porter's model emphasizes that a comprehensive understanding of these five forces allows a company to align its business strategy to better utilize its resources, generate higher returns for investors, and achieve sustained competitive advantage. It compels companies to look beyond

immediate competitors and consider the broader industry structure when developing long-term plans.

5. Analysis of Porter's Five Forces for Samsung Electronics

Analysis of the Market Power of Consumers (Buyers)

Samsung Electronics primarily focuses on retail sales, which typically disperses sales volume across a vast customer base. This broad distribution means that no single customer holds significant bargaining power. Samsung's products are, in part, unique, highly recognizable, and possess distinctive properties that foster loyalty among regular customers (e.g., specific display technologies, design elements, ecosystem integration). However, the consumer electronics market is characterized by a wide array of alternative brands offering products with "no significant differences" in functionality or quality from Samsung's in many segments. This ease of switching for consumers, coupled with product similarity, suggests that **buyer power is moderate to high**. Consumers have considerable freedom to choose among competing brands, limiting Samsung's ability to impose significantly higher prices without losing market share.

Analysis of the Market Power of Suppliers

Samsung Electronics' operations are highly dependent on various types of suppliers for components, raw materials, and manufacturing equipment. The market for many electronic components, while specialized, often features a high number of suppliers capable of meeting Samsung's needs. Furthermore, the materials used in electronics production are generally "publicly available," suggesting limited scarcity. Consequently, the costs of switching from one supplier to another are relatively low, primarily confined to the time required for new contracts and supply chain adjustments.

However, the electronics industry is currently "one of the most popular and profitable." This high industry priority for suppliers means they

are often eager to work with a global leader like Samsung. While Samsung's large procurement volumes grant it some leverage, the increasing complexity and specialization of certain components (e.g., advanced semiconductors, specialized display panels) can empower key suppliers. Overall, while general material suppliers have low power, specialized component suppliers may exert moderate power. Therefore, the power of suppliers is assessed as low to moderate, leaning towards low for commodity inputs but moderate for specialized components where alternatives might be fewer.

Analysis of the Threat of the Emergence of New Market Players (New Entrants)

The threat of new entrants into the consumer electronics market, particularly at Samsung's scale and breadth, is low. This is primarily due to several high barriers to entry:

- **Large Distribution Network:** Establishing a global distribution network and efficient supply chain channels, as Samsung possesses, is incredibly expensive and complex.
- **Economies of Scale:** Electronics manufacturing, especially for core components like microcircuits and chips, benefits significantly from economies of scale. New entrants would struggle to match Samsung's cost efficiency without massive initial investment.
- **Infrastructure and Support Services:** The production of complex electronic goods requires "large factories, significant infrastructure, branded stores, and support services," demanding colossal capital outlay and long lead times for payback.
- **Brand Recognition and R&D:** Building a globally recognized brand like Samsung and investing in the cutting-edge R&D necessary to compete is a monumental task for newcomers.

While the "payback of the industry is fast and high" for established players, the sheer scale of investment and time required creates formidable entry barriers for new competitors.

Analysis of the Threat of Substitute Products

The threat of substitute products for Samsung Electronics is high. The consumer electronics market is flooded with competitors producing "similar products and able to provide the same quality at lower prices." Specific examples include:

- **Personal Computers:** Apple, Acer, Sony, Asus.
- **Mobile Devices:** Apple, and increasingly, Chinese companies like Huawei and Xiaomi, which offer comparable devices at more competitive price points.
- **Digital Goods:** The text also highlights a "growing range of digital goods that are a worthy substitute for Samsung Electronics' electronic business," implying alternatives like streaming services, cloud computing, or integrated digital solutions that might reduce reliance on specific hardware.

While Samsung differentiates through "innovations and product uniqueness," the sheer volume and accessibility of alternatives mean customers have numerous viable options. Therefore, the impact of this threat is average to high, as consumers can easily switch to products from competing brands that fulfill similar needs, often at a lower cost.

Analysis of the Level of Competition (Rivals)

The consumer electronics market is characterized by **intense competitive rivalry**, which is assessed as **very high**. This is driven by several factors:

- **Market Saturation:** The market is saturated with various product categories and numerous players.
- **Diversity of Competitors:** Samsung Electronics competes with a vast array of "big giants" across different electronics categories, including LG, Panasonic, Dawlance, and Changhong. These competitors are often innovative, aggressive in marketing, and compete fiercely on price and features.

- **Rapid Technological Change:** The fast pace of technological advancement fuels constant innovation and product cycles, requiring companies to continuously invest and differentiate to stay ahead.

This high level of competition necessitates continuous innovation, aggressive marketing, and efficient operations to maintain market share and profitability.

6. Conclusions and Recommendations for Improving the Company's Strategy

Overall Summary of Porter's Five Forces for Samsung Electronics:

- **Rivals:** Very High (intense competition from numerous large players)
- **Threat of New Entrants:** Low (high barriers to entry in terms of capital, infrastructure, and distribution)
- **Power of Suppliers:** Low to Moderate (dependence on specialized components but many general suppliers)
- **Power of Buyers:** Moderate to High (many alternatives and price sensitivity)
- **Threat of Substitutes:** Average to High (numerous alternative products from competitors at various price points)

The analysis confirms Samsung Electronics' formidable position, built on strong R&D, innovation, and strategic diversification. However, it also highlights significant external pressures, particularly from intense competitive rivalry and the threat of substitutes. The high buyer power further underscores the need for continuous value proposition and differentiation.

Recommendations for Improving Samsung Electronics' Strategy:

1. **Reinforce Product Differentiation and Ecosystem Lock-in (Addressing Buyer Power & Substitutes):**

Focus on unique features and ecosystem integration: While competitors offer similar quality, Samsung should double down on developing genuinely differentiated technologies (e.g., foldable screens, advanced AI in devices, seamless connectivity across its smart home ecosystem) that create compelling reasons for customers to choose and stay within the Samsung universe.

Enhance Software and Services: Beyond hardware, investing in software experiences, exclusive services, and content can increase customer loyalty and make switching to competitors less attractive, effectively raising perceived switching costs for buyers. This could include further development of Samsung's own app store, payment systems, and cloud services.

Targeted Value Propositions: Continuously analyze specific customer segments to offer tailored products and pricing strategies that maximize perceived value and address their specific needs, reducing the impact of price-sensitive buyers.

2. **Strategic R&D and Innovation (Addressing Rivals & Substitutes):**

Accelerate Next-Gen Technologies: Continue to invest heavily in cutting-edge R&D to maintain a technological lead, particularly in areas like AI, IoT, advanced display technologies, and semiconductor manufacturing processes. This is crucial for staying ahead of aggressive rivals and differentiating from substitute products.

"Fast Follower" in Niche Markets: While leading in innovation, Samsung should also maintain a flexible "fast follower" strategy in emerging niche markets where smaller competitors might initially experiment, allowing it to quickly adapt and scale successful concepts.

Intellectual Property Defense: Intensify efforts in patent protection and litigation to safeguard its innovations and create legal barriers for competitors attempting to copy its unique features.

3. **Optimize Supply Chain Resilience and Diversification (Addressing Supplier Power):**

Dual Sourcing and Strategic Partnerships: For critical, specialized components, implement robust dual-sourcing strategies to reduce dependence on any single supplier. Forge deeper, long-term strategic partnerships with key suppliers to ensure stable supply and potentially gain early access to new technologies.

Vertical Integration in Key Components: Continue to strengthen its vertical integration capabilities, especially in critical components like semiconductors and displays, which not only provide cost advantages but also reduce reliance on external suppliers and protect against supply chain disruptions.

4. **Agile Marketing and Brand Storytelling (Addressing Rivals & Buyers):**

Dynamic Advertising and Marketing: As recommended, Samsung should invest more in advertising and marketing to continuously highlight its innovations, design excellence, and unique value propositions. This marketing should be agile and responsive to competitor moves.

Emphasize Social and Environmental Impact: Capitalize on its global recognition for producing environmentally friendly products and reducing greenhouse gas emissions. This can resonate with increasingly conscious consumers and differentiate the brand beyond technical specifications.

Strengthen Brand Community: Foster a strong brand community through engaging online platforms, customer service initiatives, and loyalty programs to build deeper connections with consumers beyond just transactional relationships.

By strategically addressing these forces, particularly through continued innovation, enhanced customer value, and agile market responses, Samsung Electronics can sustain its global leadership and navigate the complexities of the highly competitive electronics industry.



Tasks and Questions for Students:

Task 1: Porter's Five Forces Application

Instructions: For each of Porter's Five Forces, re-evaluate Samsung Electronics' position in a specific product category (e.g., refrigerators, smart TVs, or memory chips) instead of the general consumer electronics market. Discuss how the intensity of each force might differ for that specific product category compared to the overall company.

Question: Choose one specific product category (e.g., Samsung's premium QLED TVs, its Galaxy Fold phones, or its NAND memory chips). How would the application of Porter's Five Forces differ for this specific product category compared to the general "consumer electronics" analysis presented in the case study? Provide specific reasons for any differences.

Task 2: Strategic Recommendations Development

Instructions: Based on the case study and the Porter's Five Forces analysis, propose **three distinct strategic initiatives** for Samsung Electronics to further enhance its competitive advantage. For each initiative, explain:

1. What is the initiative?
2. Which of Porter's Five Forces does it primarily aim to address or leverage?
3. How specifically will this initiative help Samsung achieve its strategic goals?

Question: Given Samsung's mission "To use the company's human and technological resources to create products and services of excellent quality, thereby contributing to the improvement of the global state of society," propose a new, specific strategic goal that

directly aligns with this mission and addresses a weakness identified in the case study (e.g., financial performance in Q1/Q2 2023 chip business). Justify your new goal.

Task 3: Financial Performance Analysis

Instructions: Analyze the provided financial data for Samsung Electronics' Q3 2023.

Questions:

1. Identify the main reasons for the year-over-year decline in operating profit in Q3 2023.
2. What strategic decision by Samsung's management helped to narrow the loss in the chip manufacturing business in Q3 2023, and how does this reflect their strategic flexibility?
3. Despite the overall profit decline, which business segment maintained stable operating profit and what does this suggest about its contribution to the company?

Task 4: Innovation and Diversification

Instructions: Discuss Samsung Electronics' competitive advantages related to research and development and its combination of Japanese and American strategies.

Questions:

1. How does Samsung Electronics' approach to "horizontal diversification and vertical integration" (combining Japanese and American strategies) contribute to its overall competitive advantage? Provide examples from the text.
2. The case study highlights Samsung's consistent awards for innovation and design. How does this consistent recognition relate to its competitive advantage and its mission statement?

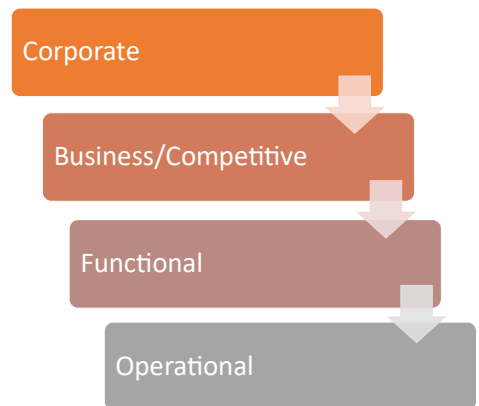
TOPIC NO. 5: CORPORATE STRATEGY OF THE ENTERPRISE

Introduction

The lecture focuses on corporate strategy, which deals with the overall scope and direction of the entire enterprise. It addresses questions about what businesses the company should be in, how these businesses should be managed, and how resources should be allocated across the portfolio. This is distinct from business strategy, which focuses on how a single business unit competes within its specific industry.

1.1 General Characteristics of the Enterprise's Corporate Strategy:

Hierarchy of strategies



Corporate strategy is concerned with the "big picture" of the organization. Its key characteristics include:

- **Scope:** Defining the boundaries of the firm in terms of the industries and markets it will operate in. This includes decisions about diversification, vertical integration, and geographic expansion.

- **Resource Allocation:** Deciding how resources (financial, human, technological) should be allocated across different business units or divisions.
- **Portfolio Management:** Managing the mix of businesses within the organization's portfolio to maximize overall value creation. This involves decisions about acquiring, divesting, or restructuring businesses.
- **Synergy Creation:** Seeking to create value by exploiting linkages and interdependencies between different business units. This can involve sharing resources, transferring knowledge, or coordinating activities.
- **Long-Term Orientation:** Corporate strategy focuses on the long-term growth and sustainability of the enterprise.

1.2 Corporate and Specific Strategies: Their Types and Characteristics:

Corporate Strategies: These strategies address the overall direction of the firm and the management of its portfolio of businesses. Key types include:

Growth Strategies: Aiming to expand the size and scope of the enterprise. This can be achieved through:

- **Concentration:** Focusing on a single business or industry.
- **Diversification:** Expanding into new businesses or industries (related or unrelated).
- **Vertical Integration:** Expanding into activities along the value chain (backward or forward).

Stability Strategies: Maintaining the current size and scope of the enterprise. This is often pursued when the environment is stable or when the organization is consolidating its position.

Retrenchment Strategies: Reducing the size and scope of the enterprise. This can involve:

- **Turnaround:** Attempting to reverse a decline in performance.

- **Divestment:** Selling off business units or assets.
- **Liquidation:** Closing down the business entirely.
- **Specific (Business or Competitive) Strategies:** These

strategies focus on how a single business unit competes within its specific industry. These were covered in the previous lecture and include cost leadership, differentiation, and focus strategies.

The key difference is that corporate strategy asks "what businesses should we be in?" while business strategy asks "how do we compete in this business?"

1.3 Classification of Strategies Depending on the Enterprise's Life Cycle Phase:

The appropriate corporate strategy often depends on the enterprise's life cycle phase:

- **Introduction/Start-up:** Focus on growth and market penetration. Strategies might include rapid product development, aggressive marketing, and securing funding.
- **Growth:** Continued focus on growth, expanding market share, and building brand recognition. Strategies might include expanding distribution channels, improving product features, and entering new markets.
- **Maturity:** Focus on maintaining market share, improving efficiency, and generating cash flow. Strategies might include cost reduction, product differentiation, and market segmentation.
- **Decline:** Focus on retrenchment, cost cutting, and potentially divestment or liquidation. Strategies might include downsizing, streamlining operations, and selling off assets.

Types of Integrated Business Structures: Essence, Advantages, Disadvantages:

Integrated business structures involve linking different stages of the value chain or related businesses under common ownership or control. Common types include:

– **Vertical Integration:** Combining different stages of the value chain, such as manufacturing and distribution.

Advantages: Improved coordination, reduced transaction costs, greater control over quality and supply.

Disadvantages: Increased capital investment, reduced flexibility, potential for inefficiencies if not managed effectively.

– **Horizontal Integration:** Acquiring or merging with competitors in the same industry.

Advantages: Increased market share, economies of scale, reduced competition.

Disadvantages: Potential for antitrust issues, challenges in integrating different organizational cultures.

– **Conglomeration (Diversification into Unrelated Businesses):** Expanding into businesses in unrelated industries.

Advantages: Reduced risk through diversification, potential for cross-selling and synergy.

Disadvantages: Difficulty managing diverse businesses, potential for lack of focus and expertise.

– **Strategic Alliances/Joint Ventures:** Cooperative agreements between independent firms to pursue shared objectives.

Advantages: Access to new markets, technologies, or resources, shared risk and investment.

Disadvantages: Potential for conflicts of interest, loss of control, difficulty in coordinating activities.

Conclusion:

Corporate strategy plays a crucial role in shaping the long-term success of an enterprise. By making strategic choices about scope, resource allocation, and portfolio management, organizations can create value and

achieve sustainable growth. Understanding the different types of corporate strategies and their implications for different life cycle phases and integrated business structures is essential for effective strategic management.



CASE STUDY: ROSHEN CONFECTIONERY CORPORATION

1. General Characteristics of Roshen

Roshen Confectionery Corporation, established in 1999, stands as one of Ukraine's preeminent confectionery manufacturers. It has aggressively expanded its sales networks within both the Ukrainian and Russian markets, boasting a substantial sales team of 2,000 individuals. Roshen's commitment to quality is evident in its products' strong reception in both domestic and international markets. Approximately 50% of its production is distributed across Ukrainian regions, 20% to Russia, and the remaining 30% to diverse international markets including Israel, Moldova, Uzbekistan, and America. The bedrock of Roshen's success lies in its relentless pursuit of continuous improvement and its strategic focus on **quality over quantity**, a principle it considers the paramount evaluation criterion globally. By maintaining **accessible price points** for the vast majority of consumers, Roshen ensures its products remain highly attractive and fully competitive. The company is also a member of the "Consumers' Union" of Ukraine and actively participates in various **charitable initiatives**, highlighting its commitment to social responsibility. Roshen has a significant retail presence, operating **over 60 branded stores**, which provides a unique advantage and facilitates its discount chain strategy.

2. Mission and Strategic Goals

Roshen's mission is clearly defined: "**production of products of perfect quality.**" This mission is underpinned by a commitment to selecting "the best raw materials, technologies, and equipment" to ensure that a broad

global audience can experience "really high-quality confectionery products with a bright and unforgettable taste." The mission statement is notable for its originality, practical applicability, logical coherence, completeness, ease of understanding, and conciseness.

Roshen's strategic goals are explicitly articulated as follows:

1. **Increase market share in consumer goods** through expanded production capacity.
2. **Develop mutually beneficial relationships** with both domestic and international partners.
3. **Consolidate its leadership** position within the Ukrainian confectionery market.

3. Assessment of Financial Condition

Based on the separate financial statements of PJSC "Kyiv Roshen Confectionery Factory" for 2020, the company navigated a challenging period, primarily due to the global COVID-19 pandemic and associated quarantine measures. The pandemic significantly impacted economic activities and financial indicators, making it difficult to fully predict its future effects on the company.

Despite these difficulties, Roshen's income from its primary activities in 2020 reached UAH 638,817 thousand, representing a substantial increase of UAH 168,724 thousand compared to 2019. However, the net profit for 2020 was only UAH 5,257,000, a decrease of UAH 3,073,000 from 2019. This discrepancy is attributed to significant increases in administrative, selling, and other operating expenses during 2020, reflecting the negative impact of the pandemic.

It is important to note a specific financial anomaly: the company's financial income and net profit for the year ended December 31, 2020, were overstated by UAH 66,180,000. This overstatement was due to the accounting treatment of returnable financial aid received from the State Enterprise Roshen Confectionery Corporation. Consequently, the company's retained earnings (including the cumulative effect of the 2019 modification)

were overstated by UAH 136,074,000, and additional capital was understated by the same amount.

Overall, Roshen Confectionery Corporation is a well-developed and stable company, holding the largest share in the Ukrainian confectionery market (23.6%). Its success is rooted in its original strategy of supporting domestic production and preserving traditional confectionery brands well-known since Soviet times (e.g., Kyiv Cake, Barbarys, Bilochka, Teatralny chocolate, Chaika). While other manufacturers pursued new trends, Roshen maintained the production of these beloved products using original recipes and technologies. This strategy has not only secured its domestic leadership but also enabled it to compete fiercely in foreign confectionery markets by offering a wide variety of products, consistently improving quality through advanced technologies, and expanding its range to meet evolving consumer needs.

4. Description of the Analysis Method: Map of Strategic Groups of Competitors

To assess Roshen's strategic value in a competitive landscape, the Map of Strategic Groups of Competitors method was employed. This analytical tool graphically illustrates industry competition by identifying organizations that are the closest rivals within the same strategic group. It supplements and refines understanding of industry dynamics and trends. The size of the circles on the map typically corresponds to the market share of each competitor group.

The construction of a strategic group map involves the following steps:

- **Selection of Differentiating Characteristics:** Identify key characteristics that distinguish organizations within the industry, such as price, quality, product range, service level, distribution channels, and geographical scope.

- **Map Creation with Uncorrelated Characteristics:** Construct the map using two characteristics that do not have a significant correlation, ensuring a comprehensive view.
- **Placement of Organizations:** Position individual organizations on the map, typically represented as points.
- **Grouping and Sizing:** Group organizations that occupy similar strategic spaces by drawing circles around them. The diameter of these circles should be proportional to the strategic group's share of total industry sales.

As market conditions evolve, organizations may shift between strategic groups, altering the nature and intensity of competition and potentially necessitating a revision of goals and strategies.

5. Analysis Using Enterprise Data: Strategic Group Maps

The following tables and interpretations present the strategic group maps for Roshen and its key competitors, AVK and Konti, across various criteria.

Table 5.1. Map of Strategic Groups of Competitors (Consumer Awareness / Market Share)

No.	Enterprise Name	Level of Consumer Awareness (K1)	Market Share, % (K2)
1	Roshen	10	25
2	AVK	9	12.5
3	Konti	8	12

On this map, Roshen is represented by a large circle, indicating its dominant position in both consumer awareness and market share. AVK is a medium-sized circle, while Konti is a small circle, reflecting their comparatively smaller market presence and brand recognition.

Table 5.2. Map of Strategic Groups of Competitors (Assortment Structure / Brand Renewal)

No.	Enterprise Name	Assortment Structure (K1)	Brand Renewal (K2)
1	Roshen	10	9
2	AVK	8	7
3	Konti	5	5

Interpretation: Again, Roshen is depicted as a large circle, signifying its extensive and well-managed product assortment, coupled with a high degree of brand renewal. AVK is a medium-sized circle, and Konti is a small circle, indicating their relatively less diverse assortments and slower brand innovation.

Table 5.3. Map of Strategic Groups of Competitors (Use of Advertising Tools / Market Share)

No.	Enterprise Name	Use of Advertising Tools (K1)	Market Share, % (K2)
1	Roshen	8	25
2	AVK	7	12.5
3	Konti	4	12

Interpretation: Consistent with the other maps, Roshen is the largest circle, demonstrating its significant market share. While its use of advertising tools is strong (rating of 8), this particular indicator is slightly lower than its other strengths, suggesting a potential area for further optimization. AVK is a medium-sized circle, and Konti is a small circle, reflecting their lower market share and less intensive advertising efforts.

6. Conclusions and Recommendations for Improving the Company's Strategy

The strategic group maps unequivocally demonstrate that Roshen is the undisputed leader in the Ukrainian confectionery market across multiple indicators. While AVK attempts to compete, the analysis highlights the significant challenges it faces in challenging Roshen's dominant position. Roshen's core strengths lie in its consistently high-quality products, broad and continuously updated assortment (now ranging from 2,300 to 3,000 items, including fresh products like vegetables and fruits), strong brand awareness, extensive retail network of over 60 stores, and its successful strategy of preserving traditional Ukrainian confectionery heritage.

For Roshen, the primary strategic imperative is to maintain its current leadership position and continue its trajectory of success. While its performance across most metrics is exceptional, the analysis reveals that its utilization of advertising tools, though good, does not fully capitalize on the enterprise's potential compared to its other strong indicators. Therefore, a key recommendation for Roshen is to intensify and refine its advertising strategies to further consolidate its market presence and reinforce consumer loyalty. This refinement could involve exploring new digital marketing avenues, enhancing engagement through social media, or leveraging data analytics to optimize advertising campaigns for maximum impact. By strategically bolstering its advertising efforts, Roshen can ensure continued growth and reinforce its competitive advantage in the dynamic confectionery market.



Tasks and Questions for Students:

Task 1: Leveraging Core Strengths for Sustained Leadership

The text identifies several core strengths that contribute to Roshen's dominant position. Analyze how these strengths are interconnected and how

they collectively support Roshen's strategic imperative to maintain leadership.

a) **Interconnectedness of Strengths:** Explain how Roshen's "consistently high-quality products," "broad and continuously updated assortment" (including fresh products), and "strong brand awareness" reinforce each other to create a powerful competitive advantage.

b) **Role of Distribution and Heritage:** Discuss the significance of Roshen's "extensive retail network of over 60 stores" and its "successful strategy of preserving traditional Ukrainian confectionery heritage" in maintaining market leadership. How do these elements contribute to customer loyalty and market penetration?

c) **Strategic Implications:** If Roshen were to neglect any of these core strengths, what potential negative impacts could it face in maintaining its "undisputed leader" status? Provide specific examples for at least two strengths.

Task 2: Optimizing Advertising Strategy for Future Growth

The recommendation for Roshen is to "intensify and refine its advertising strategies." Despite its current leadership, the analysis suggests advertising "does not fully capitalize on the enterprise's potential."

a) **Identifying the Gap:** Based on the text, what does it mean for Roshen's advertising "not to fully capitalize on the enterprise's potential"? What might this imply about the current effectiveness or reach of their advertising efforts, given their otherwise strong performance?

b) **Strategic Recommendations & Justification:** Propose at least three specific examples of how Roshen could "intensify and refine" its advertising, drawing from the text's suggestions (digital marketing, social media, data analytics) or your own understanding of modern marketing. For each

example, explain how it would contribute to "further consolidating its market presence and reinforcing consumer loyalty."

c) Measuring Success: What key metrics would Roshen use to assess the effectiveness of its intensified and refined advertising strategies? Think beyond just sales figures and consider how they would measure brand engagement, loyalty, and market share consolidation.

Task 3: Competitive Dynamics and Strategic Response

The text highlights AVK's attempts to compete but acknowledges the "significant challenges it faces in challenging Roshen's dominant position."

a) Implications for Competitors: From the perspective of AVK (or any other competitor), what specific challenges would Roshen's identified strengths (quality, assortment, brand, network, heritage) pose to their ability to gain market share?

b) Competitive Response (Hypothetical): If you were advising AVK, what two distinct strategic approaches (other than directly imitating Roshen's strengths, which seems difficult) might you recommend for them to carve out a more competitive position in the Ukrainian confectionery market? Briefly explain the rationale behind each approach, considering the landscape described.

c) Market Dynamics: Why is Roshen's ability to constantly update its assortment, including "fresh products like vegetables and fruits," particularly impactful in a confectionery market? How might this strategy further distance it from competitors who focus solely on traditional sweets?

TOPIC NO. 6: MATRIX METHODS OF CORPORATE STRATEGY FORMATION

Introduction:

Today, we'll explore matrix methods used in corporate strategy formation. These tools provide a visual representation of a company's business portfolio, helping managers make informed decisions about resource allocation, growth, and divestment. They are particularly useful for diversified companies with multiple business units.



PORTFOLIO
ANALYSIS OF
THE
COMPANY'S
DEVELOPMENT
STRATEGY

- a strategic management tool, with the help of which the strategic position of the enterprise in the competitive environment is identified and evaluated in order to direct resources to the most promising areas of economic activity, reduce (terminate) investments in inefficient projects

6.1 Choosing the Company's Position in Competition:

Before applying matrix methods, it's essential to understand the competitive landscape and the company's position within it. This involves:

- **Industry Analysis (Porter's Five Forces):** Understanding the competitive forces that shape industry profitability.
- **Competitor Analysis:** Identifying key competitors and analyzing their strategies, strengths, and weaknesses.
- **Market Segmentation:** Dividing the market into distinct segments based on customer needs and characteristics.

– **Competitive Advantage:** Identifying the sources of the company's competitive advantage (cost leadership, differentiation, or focus).

This analysis provides the context for using matrix methods. The matrices help visualize how different business units contribute to the overall portfolio and where resources should be directed to maximize value.

6.2 The Essence of Portfolio Analysis:

Portfolio analysis is a process of evaluating the mix of businesses that make up a company. The goal is to:

– **Assess the attractiveness of each business unit:** How profitable is the industry? What is the business unit's competitive position?

– **Determine the strategic role of each business unit:** Should the company invest in this business, hold it, harvest it, or divest it?

– **Allocate resources effectively across the portfolio:** Where should the company invest its resources to maximize overall value creation?

– **Balance the portfolio:** Ensuring a mix of businesses with different growth rates and risk profiles.

THE BASIS OF PORTFOLIO ANALYSIS IS

- construction of two-dimensional matrices that can be used to compare business units or products according to various criteria. Such criteria can be sales growth rate, relative competitive position, life cycle stage, market share, industry attractiveness, etc.

Portfolio analysis relies on the principle that different business units contribute differently to the overall corporate performance. Matrix methods are visual tools that facilitate this analysis.

6.3 Matrix Tools for Enterprise Strategy Analysis:

Several matrix tools are commonly used for enterprise strategy analysis. We'll focus on two key examples:

The Boston Consulting Group (BCG) Matrix: This matrix classifies business units based on their market share and market growth rate. It uses four categories:

1. **Stars:** High market share in a high-growth market. These businesses require significant investment to maintain their growth.
2. **Cash Cows:** High market share in a low-growth market. These businesses generate significant cash flow that can be used to fund other business units.
3. **Question Marks (Problem Children):** Low market share in a high-growth market. These businesses require careful analysis to determine if they should be invested in or divested.
4. **Dogs:** Low market share in a low-growth market. These businesses typically generate little profit and may be candidates for divestment.

Using the BCG Matrix: The BCG matrix helps determine the strategic direction for each business unit:

Stars: Invest to maintain growth and market share.

Cash Cows: Milk for cash to support other businesses.

Question Marks: Invest selectively or divest.

Dogs: Divest or liquidate.

The General Electric/McKinsey Matrix (GE/McKinsey Matrix): This matrix is a more sophisticated version of the BCG matrix. It uses two composite dimensions:

Industry Attractiveness: This considers factors such as market size, market growth rate, industry profitability, competitive intensity, and regulatory environment.

Business Unit Strength (Competitive Position): This considers factors such as market share, profitability, technological capabilities, brand strength, and management quality.

The GE/McKinsey matrix uses a 3x3 grid, with each cell representing a different strategic recommendation:

1. **Invest/Grow:** High industry attractiveness and high business unit strength.
2. **Selectivity/Earnings:** Medium industry attractiveness or medium business unit strength. Invest selectively in these businesses.
3. **Harvest/Divest:** Low industry attractiveness or low business unit strength. These businesses are candidates for divestment or harvesting.

Using the GE/McKinsey Matrix: This matrix provides a more nuanced assessment of each business unit and offers more specific strategic recommendations.

Table 6.1. Key Differences between BCG and GE/McKinsey:

Feature	BCG Matrix	GE/McKinsey Matrix
Dimensions	Market share and market growth rate	Industry attractiveness and business unit strength
Number of Cells	4	9
Complexity	Simpler	More complex, considers more factors
Strategic Focus	Cash flow and portfolio balance	Strategic investment and resource allocation

Limitations of Matrix Methods:

- **Oversimplification:** Matrices can oversimplify complex business realities.
- **Static View:** They provide a snapshot in time and don't capture the dynamic nature of markets.

- **Subjectivity:** The assessment of factors like industry attractiveness and business unit strength can be subjective.
- **Focus on Current Performance:** They may not adequately consider future potential.

Conclusion:

Matrix methods are valuable tools for corporate strategy formation. They provide a framework for analyzing a company's business portfolio and making informed decisions about resource allocation. However, it's essential to recognize their limitations and use them in conjunction with other strategic analysis tools and managerial judgment.



CASE STUDY: OPTIMIZING "UKRAINIAN RAILWAYS" FOR ENHANCED PERFORMANCE AND MARKET COMPETITIVENESS

1. Enterprise Overview: Joint-Stock Company "Ukrainian Railways"

Joint-Stock Company "Ukrainian Railways" (Ukrzaliznytsia) stands as Ukraine's national cornerstone for goods and passenger transportation. As the legal successor to the State Administration of Railway Transport of Ukraine, it commands a dominant position, facilitating 82% of cargo and nearly 50% of passenger transportation across all transport modes within the country. Globally, Ukrzaliznytsia ranks fourth in cargo transportation on the Eurasian continent, surpassed only by China, Russia, and India.

100% state-owned, Ukrzaliznytsia operates as a de facto monopoly in the railway transportation sector and is designated as a non-privatizable state enterprise. Recognizing the critical importance of transparency and integrity, the company launched its Compliance Office in April 2021. This initiative, aligned with international standards from organizations like the OECD and COSO, aims to establish a comprehensive control function for

compliance and corruption prevention, thereby strengthening business conduct and improving the overall compliance system.

2. Mission and Strategic Imperatives

Ukrzaliznytsia's mission is "Building a stable and prosperous business that works to support and develop the economy and ensure the well-being of Ukraine and our employees by providing the best quality, safe, reliable, efficient, competitive and customer-oriented rail transportation services."

The company's strategic goals, as defined by the state, are:

- Ensuring the country's transportation needs.
- Improving the financial and economic stability of the company and the industry.
- Investing in park modernization.
- Increasing the level of safety in railway transport and adhering to employee health and safety standards.
- Enhancing Ukrzaliznytsia's attractiveness as an employer and securing qualified personnel.
- Improving activity management quality, transparency, and readiness for competitive passenger and cargo transportation markets in the context of European integration.

3. Financial Health Assessment

According to the independent auditor Ernst&Young Audit Services LLC, Ukrzaliznytsia faces significant financial considerations. The auditor highlighted compliance with financial and non-financial conditions stipulated in credit agreements and Eurobond placement agreements as a key audit matter. A potential breach of terms in one agreement could trigger a cross-default across others, potentially affecting the classification of interest-bearing loans and borrowings and the assessment of the Group's going concern principle.

Furthermore, uncertainty exists regarding certain assets and liabilities located in or connected with the Autonomous Republic of Crimea

and parts of the Donetsk and Luhansk regions not currently under Ukrainian state control. The Group is not yet the legal successor to these assets and liabilities, leading to uncertainty regarding succession terms and final amounts.

4. Method of Analysis: Gap Analysis (GAP Analysis)

To address the strategic challenges and opportunities facing Ukrzaliznytsia, a Gap Analysis (GAP Analysis) was employed. This strategic analysis method focuses on identifying the "gap" or difference between planned, desired goals and realistically achievable outcomes. Its primary objective is to pinpoint these disparities, enabling the setting of more realistic goals and the development of concrete initiatives to close or reduce these gaps. The fundamental prerequisite for using this method is the existence of a discrepancy between the target and attainable levels of goal achievement.

The application of GAP analysis is broad, extending across various organizations and management levels, and is particularly effective when quantitative goal setting is involved.

Advantages of Gap Analysis:

- Forces realistic goal assessment: Encourages managers to evaluate the achievability of their set goals.
- Clear logical framework: Presents a straightforward, sequential implementation process.
- Versatile applicability: Highly adaptable for analyzing diverse practical problems.

Disadvantages of Gap Analysis:

- Complex factor identification: The multifaceted nature of influencing factors, both controllable and uncontrollable, can make identification challenging, limiting the organization's ability to close all gaps.

- Lack of detailed methodology: Beyond its general logic, there is no standardized, detailed methodology for conducting the analysis at each stage or for developing specific solutions to eliminate gaps.
- Reliance on potentially unreliable forecasts: Requires the use of forecast data, which may suffer from insufficient reliability and accuracy.



Tasks and Questions for Students:

Task 1: Mission-Strategy Alignment in a State-Owned Monopoly

Ukrzaliznytsia is a 100% state-owned de facto monopoly with a broad mission and several strategic goals defined by the state. Analyze the coherence and potential challenges in achieving these goals given its unique status.

a) Stakeholder Balancing Act: Discuss how Ukrzaliznytsia's mission, "Building a stable and prosperous business that works to support and develop the economy and ensure the well-being of Ukraine and our employees by providing the best quality, safe, reliable, efficient, competitive and customer-oriented rail transportation services," attempts to balance commercial objectives with its public service mandate and social responsibilities. Identify potential conflicts or tensions that might arise in trying to satisfy all aspects of this mission.

b) Strategic Goal Interdependencies: Choose three of Ukrzaliznytsia's strategic goals and explain how they are interdependent. For example, how might "investing in park modernization" impact "improving the financial and economic stability of the company" or "increasing the level of safety"?

c) Challenges of a Non-Privatizable Monopoly: Given its status as a non-privatizable state-owned monopoly, what are the inherent challenges

Ukrzaliznytsia might face in "improving activity management quality, transparency, and readiness for competitive passenger and cargo transportation markets in the context of European integration"? How does its Compliance Office contribute to addressing some of these challenges?

Task 2: Financial Vulnerabilities and Going Concern Analysis

The independent auditor's report highlights significant financial considerations for Ukrzaliznytsia, particularly concerning credit agreements, Eurobonds, and assets in non-controlled territories.

a) **Cross-Default Risk:** Explain the concept of "cross-default" in the context of Ukrzaliznytsia's credit and Eurobond agreements. Why is a potential breach in one agreement a "key audit matter" for the auditor, and what severe consequences could it have for the company's financial standing and "going concern principle"?

b) **Assets and Liabilities in Disputed Territories:** Discuss the financial and strategic implications of the "uncertainty" regarding assets and liabilities in the Autonomous Republic of Crimea and parts of the Donetsk and Luhansk regions not currently under Ukrainian state control. How does this situation complicate Ukrzaliznytsia's financial reporting and long-term planning?

c) **Mitigation Strategies (Hypothetical):** Based on the information provided, and considering the financial risks identified, what are some general strategies Ukrzaliznytsia could explore (or is likely exploring) to mitigate these risks and strengthen its financial health? Consider both financial management and operational aspects.

Task 3: Applying and Critiquing Gap Analysis for Ukrzaliznytsia

Ukrzaliznytsia employs Gap Analysis to address strategic challenges. Apply your understanding of this method to a specific strategic goal and critically evaluate its suitability.

a) Applying Gap Analysis: Select one specific strategic goal from Ukrzaliznytsia's list (e.g., "Investing in park modernization"). Describe how a Gap Analysis would be performed for this goal. What would be the "planned/desired goal," what would constitute the "realistically achievable outcome" (based on the provided text, assume "current state" for this exercise), and what "gap" might emerge?

b) Strengths in Context: Explain how the advantages of Gap Analysis (realistic goal assessment, clear logical framework, versatile applicability) would be particularly beneficial for Ukrzaliznytsia in addressing the chosen strategic goal.

c) Addressing Limitations: Considering the disadvantages of Gap Analysis (complex factor identification, lack of detailed methodology, reliance on unreliable forecasts), identify potential challenges Ukrzaliznytsia might face when using this method for the chosen strategic goal. Suggest how the company could try to overcome these limitations.

TOPIC NO. 7: FINANCIAL STRATEGY, ITS FEATURES AND IMPLEMENTATION METHODS

Introduction

The Lecture discuss financial strategy, a crucial component of overall corporate strategy. A well-defined financial strategy ensures that the organization has the necessary financial resources to achieve its strategic objectives and maximize shareholder value.

1. Financial Strategy, Its Types and Features

Financial strategy defines how the organization will manage its finances to support its overall strategic goals. Key features include:

- **Alignment with Corporate Strategy:** The financial strategy must be consistent with the overall corporate strategy. For example, a growth strategy requires a financial strategy that focuses on raising capital and investing in expansion.
- **Long-Term Perspective:** Financial strategy focuses on long-term financial health and sustainability, not just short-term profits.
- **Resource Allocation:** It determines how financial resources will be allocated across different business units or projects.
- **Risk Management:** It addresses how the organization will manage financial risks.
- **Value Creation:** Its ultimate goal is to maximize shareholder value.

FINANCIAL STRATEGY



THIS IS A GENERAL PLAN OF ACTION TO PROVIDE THE ENTERPRISE WITH FINANCIAL RESOURCES IT COVERS ISSUES OF THE THEORY AND PRACTICE OF FINANCE FORMATION, PLANNING AND PROVISIONING, SOLVES PROBLEMS THAT ENSURE THE FINANCIAL STABILITY OF THE ENTERPRISE IN MARKET ECONOMIC CONDITIONS.

Types of Financial Strategies:

- **Growth-Oriented:** Focuses on maximizing revenue and market share growth. This often involves significant investment in R&D, marketing, and expansion.
- **Value-Oriented:** Focuses on maximizing shareholder value through profitability, efficiency, and return on investment.
- **Stability-Oriented:** Focuses on maintaining financial stability and minimizing risk. This is often pursued during periods of economic uncertainty or industry downturn.
- **Turnaround/Retrenchment:** Focuses on improving financial performance and restoring profitability. This often involves cost cutting, asset sales, and restructuring.

Specific financial strategies can include:

- **Financing Strategy:** How the organization will raise capital (debt, equity, or internal funds).
- **Investment Strategy:** How the organization will invest its funds (capital expenditures, acquisitions, R&D).

COMMON FINANCIAL STRATEGIES

investment
 cost minimization
 diversification of activities
 anti-crisis

- **Dividend Policy:** How the organization will distribute profits to shareholders.
- **Working Capital Management:** How the organization will manage its current assets and liabilities.

THE FINANCIAL STRATEGY OF THE ENTERPRISE IS DESIGNED TO SOLVE THE FOLLOWING TASKS:

- formation and effective use of financial resources;
- determination of promising directions for the development of the enterprise in accordance with its financial capabilities;
- compliance of financial actions with the economic condition and material capabilities of the enterprise;
- ranking and gradual achievement of the overall goal of the enterprise;
- identification of the most effective areas of investment and concentration of financial resources in these areas;
- objective accounting of the financial and economic situation and real financial condition of the enterprise for the year, quarter, month;
- determination of the main threat from competitors, the correct choice of directions of financial actions and maneuvering to achieve a decisive advantage over competitors;
- ensuring its profitability and obtaining optimal profit;
- satisfaction of material and social needs of employees and owners of the enterprise;
- maximizing the market value of the enterprise.

2. Methods of Financial Strategy Implementation

Implementing a financial strategy involves several key steps:

- **Budgeting and Forecasting:** Developing financial budgets and forecasts to guide resource allocation and track performance.
- **Financial Control:** Implementing systems and procedures to monitor financial performance and ensure compliance with policies.
- **Performance Measurement:** Establishing key performance indicators (KPIs) to track progress towards financial objectives.
- **Financial Reporting:** Communicating financial information to stakeholders.
- **Risk Management Processes:** Identifying, assessing, and mitigating financial risks.

INVESTMENT STRATEGY

- search for promising investment projects, new technologies;
- investment planning and design;
- active use of external sources of investment, in particular loans, international and bond loans;
- introduction of a project approach to the enterprise management process;
- wide use of refinancing from own sources in financing investments;
- use of tax benefits during investment activities;
- active search for investors.

Specific implementation methods can include:

- **Setting financial targets:** Defining specific, measurable, achievable, relevant, and time-bound (SMART) financial goals.
- **Developing financial policies and procedures:** Establishing clear guidelines for financial decision-making.
- **Implementing financial information systems:** Using technology to track and analyze financial data.

– **Establishing a financial control framework:**

Implementing internal controls to prevent fraud and ensure accuracy of financial reporting.

COST REDUCTION (MINIMIZATION) STRATEGY

- Universal financial instruments for the implementation of the cost minimization strategy:
- rationing of stocks of working capital;
 - control over purchases;
 - implementation of the budgeting system at the enterprise;
 - formation of an appropriate system of motivation of the company's employees;
 - reducing the need for external financing and reorientation to own sources of financing;
 - measures to minimize the cost of capital, in particular restructuring of loans, their consolidation;
 - measures to optimize the number of personnel.

DIVERSIFICATION STRATEGY

- implementation of the budgeting system by types of products,
 - financing of advertising and marketing activities,
 - extensive use of external funding sources,
- expansion of the company's assets, fixed and current assets,
 - increase in the number of personnel,
- increase in costs for personnel training and development of the work motivation system,
 - expansion of the enterprise management structure,
 - increase in investment expenditures of enterprises.

3. The DuPont Method for Evaluating Financial Strategy:

The DuPont analysis is a framework for analyzing return on equity (ROE) by breaking it down into its component parts:

$$\text{ROE} = \text{Net Profit Margin} * \text{Asset Turnover} * \text{Equity Multiplier}$$

– **Net Profit Margin:** Measures how much profit is generated for each dollar of revenue.

– **Asset Turnover:** Measures how efficiently assets are used to generate revenue.

– **Equity Multiplier:** Measures the extent to which assets are financed by equity.

The DuPont analysis helps identify the key drivers of ROE and provides insights into how the financial strategy is impacting profitability and efficiency. By analyzing changes in each component over time, managers can identify areas for improvement. For example, a declining profit margin may indicate pricing or cost control issues, while a low asset turnover may suggest inefficient asset utilization.

4. Common Financial Strategies of Domestic Enterprises

Financial strategies of domestic enterprises can vary depending on factors such as industry, size, and stage of development. However, some common themes include:

– **Focus on short-term profitability:** Due to economic instability or limited access to long-term financing, domestic enterprises often prioritize short-term profits over long-term investments.

– **Reliance on bank financing:** Bank loans are often the primary source of external financing for domestic enterprises, especially smaller ones.

– **Limited use of equity financing:** Due to underdeveloped capital markets or reluctance to dilute ownership, domestic enterprises often rely less on equity financing.

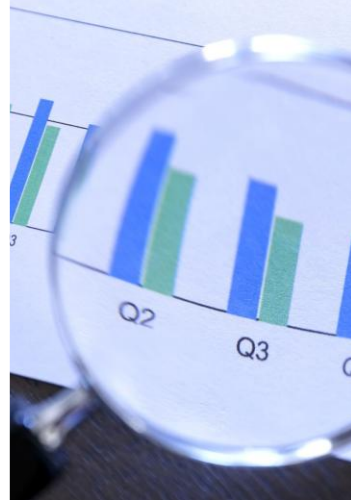
– **Conservative financial management:** Domestic enterprises may adopt a more conservative approach to financial

management, focusing on minimizing risk and maintaining adequate liquidity.

– **Tax optimization:** Given the complexities of the tax environment, domestic enterprises pay significant attention to tax planning and optimization.

ANTI-CRISIS STRATEGY

- inventory of payables and receivables;
- taking measures to collect receivables;
- identification of excess stocks of working capital and possible fixed assets for their realization;
- search for possible investors and sanatoriums of the enterprise, taking into account state policy;
- optimization of the number of employees;
- measures regarding debt restructuring, preparation of settlement agreements;
- formation of strategic initiatives regarding the reorganization of the entity.



It's important to note that these are generalizations, and the specific financial strategies of domestic enterprises can vary significantly.

Conclusion

A well-defined and effectively implemented financial strategy is essential for achieving organizational success. By aligning financial decisions with overall strategic objectives, managing financial risks, and maximizing shareholder value, organizations can ensure long-term financial health and sustainability. The DuPont analysis provides a valuable tool for evaluating the effectiveness of the financial strategy.



CASE STUDY: CONCERN GALNAFTOGAZ

1. General Characteristics of the Selected Enterprise

Open Joint Stock Company "Concern Galnaftogaz" is a leading player in Ukraine's fuel and related services market, primarily operating under the widely recognized OKKO brand. The company boasts an extensive network of over 400 filling stations throughout the country. Beyond fuel sales, OKKO has strategically diversified its offerings to include the largest network of roadside restaurants in Ukraine, comprising 35 establishments operating under popular brands such as A la minute, Pasta Mia, and Meiwei.

The OKKO network's business model extends beyond fuel and food services. Its units also engage in the retail sale of goods through convenience stores at filling stations, wholesale and retail sales of petroleum products, and specialized services including fuel quality testing, petroleum products storage, and transportation. To support these operations and ensure high quality, the OKKO network maintains 11 tank farms and 16 stationary and mobile quality control laboratories for petroleum products.

Concern Galnaftogaz demonstrates a forward-thinking approach by actively investing in green energy initiatives. This includes the acquisition of ready-made solar power plants and investments in energy storage solutions. A notable example is the 2019 renovation of its central office in Lviv, where the largest façade solar power plant in Western Ukraine was installed. This plant, with a capacity of up to 200,000 kWh per year, integrates 1,000 solar panels on the building's façade and roof, showcasing the company's commitment to sustainability.

The company has maintained a strong financial standing and reputation, serving as a reliable partner for over a decade with leading global financial institutions, including the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC). This indicates robust financial management and trustworthiness. Concern

Galnaftogaz consistently achieves high EBITDA rates, exemplifying strong financial efficiency even amidst challenging economic trends in Ukraine.

In 2009, Concern Galnaftogaz launched its highly successful loyalty program, Fishka. Today, Fishka is recognized as the largest multi-partner rewards program in Ukraine, integrating a wide array of national companies and boasting over 5 million participating Ukrainians. This program significantly enhances customer retention and engagement across its diverse offerings.

2. Description of the Mission, Strategic Goals Implemented by the Enterprise

Concern Galnaftogaz's mission statement is both concise and aspirational: "To bring more good ideas to life in Ukraine!" This mission reflects a contemporary understanding of value, emphasizing innovation and positive impact beyond traditional financial metrics. It suggests a commitment to fostering creativity and implementing beneficial initiatives within the Ukrainian context.

While not explicitly detailed as a traditional list of strategic goals, the company's actions and stated mission imply several key strategic objectives: market leadership, diversification, sustainability, and customer engagement. The pursuit of "good ideas" encompasses continuous improvement in service delivery, expansion into new complementary business areas (like restaurants and green energy), and fostering a strong relationship with its customer base through programs like Fishka. This mission guides the company to be a proactive force in the Ukrainian economy, constantly seeking new avenues for growth and positive contribution.

3. Assessment of the Financial Condition of the Enterprise

Concern Galnaftogaz (OKKO filling stations network) holds a significant position in the Ukrainian market for light oil products,

commanding a market share of over 18%. This solidifies its standing as one of the largest filling station networks in the country. In 2021, the company was recognized as the 17th largest private company in Ukraine, according to a top 100 ranking, underscoring its substantial economic influence.

The retail trade of petroleum products across its 400 OKKO branded gas stations remains the cornerstone of Galnaftogaz's business. In 2020, despite its strong overall position, the company experienced a 3 percentage point reduction in its market share for fuel retailing, settling at 16%. This still maintained its second-place ranking after Uknafta. The overall sale of all fuel types saw an average decrease of 10% in 2020. The company's press service attributed this decline directly to reduced mobility caused by quarantine restrictions implemented due to the COVID-19 pandemic.

In response to these market shifts, OKKO strategically increased the contribution of non-fuel segment goods to its sales, moving from 20% to 25% in 2020. The company has set an ambitious goal to further increase this non-fuel segment indicator to 30% in the coming years. This diversification into convenience store sales and restaurant services at its filling stations demonstrates a proactive approach to mitigating fuel sales volatility and leveraging its extensive infrastructure for broader revenue generation.

4. Description of the Analysis Method: The Boston Consulting Group (BCG) Matrix

The Boston Consulting Group Matrix (BCG Matrix), also known as the product portfolio matrix, is a strategic planning tool used by businesses to analyze and manage their product or business unit portfolios. It's one of the most widely recognized methods for portfolio analysis. The BCG Matrix classifies a firm's products, services, or business units into a two-by-two matrix based on two key dimensions: relative market share and market growth rate.

- **Horizontal Axis: Relative Market Share:** This axis represents the product's market share relative to its largest competitor. A high

relative market share indicates a strong competitive position in the market.

- **Vertical Axis: Market Growth Rate:** This axis represents the annual growth rate of the market in which the product competes. A high market growth rate suggests potential for significant expansion. Based on these two dimensions, the BCG Matrix divides a company's offerings into four quadrants:
 - **Question Marks (High Market Growth, Low Relative Market Share):** These are products in high-growth markets but with a small market share. They require significant investment to increase their market share and become Stars. They are uncertain ventures, and management must decide whether to invest heavily, divest, or hold. Investments in Question Marks are typically funded by Cash Cows.
 - **Stars (High Market Growth, High Relative Market Share):** These are market leaders in high-growth industries. They generate substantial revenue but also require considerable investment to maintain their growth and competitive advantage. Over time, as the market matures and their growth slows, Stars ideally become Cash Cows. Stars are considered prime assets for a company.
 - **Cash Cows (Low Market Growth, High Relative Market Share):** These are market leaders in mature, low-growth industries. They have a high market share but operate in markets with limited growth potential. They require minimal investment to maintain their position and generate significant cash flows that can be "milked" to fund Question Marks and Stars. They are the financial backbone of a company.
 - **Dogs (Low Market Growth, Low Relative Market Share):** These are products with a low market share in low-growth markets. They typically generate low profits or even losses. Companies often phase

out products in this quadrant unless they serve a strategic purpose (e.g., complementary products, competitive deterrence).

The BCG Matrix provides a framework for strategic resource allocation, helping firms decide where to invest, maintain, or divest. The ideal progression for a product is from a Question Mark to a Star, and then to a Cash Cow as the market matures.

4. Conducting an Analysis Using Enterprise Data

Table 7.1. BCG Matrix

	HIGH RELATIVE MARKET SHARE	LOW RELATIVE MARKET SHARE
HIGH MARKET GROWTH RATE	STARS	QUESTION MARKS
LOW MARKET GROWTH RATE	CASH COWS <i>Retail trade of petroleum products</i>	DOGS

Based on the provided data, Concern Galnaftogaz's main business, the retail trade of petroleum products, is classified as a "Cash Cow." This classification is derived from:

- **High Relative Market Share:** Concern Galnaftogaz holds over 18% of the market share in light oil products, placing it as the second largest player (after Uknaftha). This indicates a strong, established position relative to its competitors.
- **Low Market Growth Rate:** While specific market growth data for the petroleum retail sector is not explicitly given as "low," the text states that in 2020, "The sale of all types of fuel decreased by an average of 10%," primarily due to reduced mobility from quarantine restrictions. This suggests a mature market with either low or even negative growth in recent times, aligning with the characteristics of a Cash Cow.

The characteristics of a Cash Cow are that they generate significant cash flow with minimal investment needed to maintain their dominant

position. This cash can then be utilized to fund other ventures within the company's portfolio. The text explicitly states that "The main business of Galnaftogaz is the retail trade of petroleum products, which occupies the cash cow's quadrant (low market growth, but a high market share)." It further confirms that "the best strategy for this situation is to harvest a profit and invest in other products, and that's what the company does."

6. Conclusions and Recommendations for Improving the Company's Strategy

The analysis using the BCG Matrix clearly positions Concern Galnaftogaz's core petroleum retail business as a "Cash Cow." This indicates a healthy, mature business segment that consistently generates substantial profits and cash flow with relatively low investment. This financial strength provides the foundation for the company's broader strategic initiatives and allows it to "harvest profits and invest in other products," as the data suggests. This is a sound strategic approach for a company with a dominant position in a mature market.

To further enhance Concern Galnaftogaz's strategy, particularly in the field of financing and overall portfolio management, several recommendations can be made:

1. **Strategic Reinvestment of Cash Cow Profits:** While the company already invests in other areas, a more formalized and aggressive strategy for reinvesting the substantial cash flows from the petroleum retail business is crucial. This includes:

Accelerating Green Energy Investments: The company's commitment to solar power plants and energy storage is commendable. Further investment in this high-growth "Question Mark" or "Star" area (depending on market assessment) is vital. This could involve not only acquiring existing plants but also developing proprietary green energy solutions or expanding into

charging infrastructure for electric vehicles, positioning OKKO for future energy landscapes.

Expanding Non-Fuel Segment Diversification: The goal to increase non-fuel segment sales to 30% is a key strategic move. This area likely represents a "Star" or "Question Mark" due to its growth potential. Financing further expansion of its "A la minute," "Pasta Mia," and "Meiwei" restaurants, enhancing convenience store offerings, and exploring new retail concepts at its stations will further de-risk the business from fuel price volatility and changing mobility patterns.

Exploring Synergistic "Question Marks": The company's diversified business model (loyalty program, tank farms, laboratories) suggests an openness to new ventures. Consideration should be given to identifying and investing in new "Question Mark" ventures that align with its core competencies (e.g., logistics, automotive services, data analytics from the Fishka program) but operate in high-growth areas, with the aim of developing them into future "Stars."

2. **Optimizing Capital Structure and Financial Relationships:**

Given its status as a reliable partner to institutions like the EBRD and IFC, Concern Galnaftogaz should leverage these relationships to secure favorable financing for its growth initiatives. This could involve:

Long-term Debt for Growth: Utilizing low-cost, long-term debt (from existing and new financial partners) to fund capital-intensive projects in green energy and retail expansion, rather than solely relying on retained earnings. This preserves liquidity and potentially accelerates growth.

Exploring Equity Partnerships for New Ventures: For particularly high-risk or capital-intensive "Question Mark" ventures, considering strategic equity partnerships could share risk and bring specialized expertise.

Maintaining Robust Cash Management: Continue the established practices of efficient financial management that have led to consistently high

EBITDA. This ensures the "Cash Cow" continues to deliver optimal returns to fuel diversification.

By systematically channelling the robust cash flows from its petroleum retail operations into carefully selected high-growth and diversifying segments, Concern Galnaftogaz can secure its long-term profitability, mitigate market risks, and continue to fulfil its mission of "bringing more good ideas to life in Ukraine."



Tasks and Questions for Students:

Task 1: "Cash Cow" Management and Strategic Reinvestment

The BCG Matrix analysis positions Concern Galnaftogaz's petroleum retail business as a "Cash Cow." This signifies its crucial role in funding other strategic initiatives.

a) Role of a Cash Cow: Explain in your own words why a "Cash Cow" business segment is so vital for a diversified company like Concern Galnaftogaz. How does its characteristic of high market share in a low-growth (mature) market enable its strategic function?

b) Formalized Reinvestment: The text recommends a "more formalized and aggressive strategy for reinvesting" Cash Cow profits. Why is "formalized and aggressive" important beyond just "investing in other areas"? What risks might the company face if it doesn't have such a strategy, even with healthy cash flow?

c) Prioritizing Reinvestment: From the given recommendations for strategic reinvestment, rank the three suggested areas (Accelerating Green Energy Investments, Expanding Non-Fuel Segment Diversification, Exploring Synergistic "Question Marks") in order of what you perceive as

highest to lowest strategic priority for OKKO. Justify your ranking, considering both the potential for growth/future proofing and the potential risks/rewards described in the text.

Task 2: Diversification and Portfolio Management

Concern Galnaftogaz is actively pursuing diversification into green energy and non-fuel segments. These are identified as potential "Question Marks" or "Stars."

a) Risk Mitigation through Diversification: Explain how expanding into non-fuel segments (restaurants, convenience stores) helps "de-risk the business from fuel price volatility and changing mobility patterns." Provide specific examples of how these non-fuel offerings achieve this.

b) Transitioning from "Question Mark" to "Star": For the "Accelerating Green Energy Investments," if this segment is a "Question Mark," what specific actions (beyond just acquiring existing plants) would Concern Galnaftogaz need to take to help it transition into a "Star" in the green energy market? Consider the characteristics of a "Star" (high growth, high market share) and the types of investments or strategies that would drive market share.

c) Synergistic "Question Marks": The text suggests exploring synergistic "Question Mark" ventures that align with core competencies like logistics or data analytics from the Fishka program. Propose one concrete example of such a new venture that leverages OKKO's existing strengths (e.g., its extensive station network, logistics capabilities, or customer data) and explain why it could be a high-growth "Question Mark."

Task 3: Optimizing Capital Structure for Growth

Concern Galnaftogaz has strong relationships with institutions like the EBRD and IFC, which can be leveraged for financing growth initiatives.

a) Advantages of Long-term Debt: Discuss the benefits of "Utilizing low-cost, long-term debt" from financial partners for funding capital-

intensive projects, rather than solely relying on retained earnings from the "Cash Cow." How does this strategy "preserve liquidity and potentially accelerate growth"?

b) Equity Partnerships for Risk Sharing: Explain why "Exploring Equity Partnerships for New Ventures" is particularly recommended for "high-risk or capital-intensive 'Question Mark' ventures." What specific advantages do equity partnerships offer in these scenarios compared to relying solely on debt or internal financing?

c) Maintaining Financial Health: The text emphasizes "Maintaining Robust Cash Management" to ensure the "Cash Cow" continues to deliver optimal returns. Connect this recommendation back to the overall strategy. Why is continuous efficient financial management crucial for the success of all the recommended diversification and growth strategies?

TOPIC 8. SPECIFICS OF STRATEGIC MANAGEMENT IN THE MARKET OF FINANCIAL SERVICES

Introduction

The lecture focuses on the unique aspects of strategic management within the financial services industry. This sector, encompassing banks, insurance companies, investment firms, and other financial intermediaries, operates under specific regulatory frameworks, faces unique risks, and caters to distinct customer needs, requiring tailored strategic approaches.

8.1 The Essence of Banking Strategic Management

Strategic management in banking is concerned with setting long-term goals and developing strategies to achieve them in a highly competitive and regulated environment. Key aspects include:

- Risk Management: Banks operate with borrowed funds, making risk management a central strategic concern. Managing credit risk, market risk, operational risk, and liquidity risk is crucial.
- Regulatory Compliance: Banks are heavily regulated, and strategic decisions must comply with complex regulations. This includes capital adequacy requirements, reserve requirements, and consumer protection laws.
- Customer Relationships: Building and maintaining strong customer relationships is vital for attracting deposits and generating loan business.
- Technological Innovation: The banking industry is constantly evolving with technological advancements. Banks must adapt to these changes and invest in new technologies to remain competitive.
- Profitability and Efficiency: Balancing profitability with risk management and regulatory compliance is a key strategic challenge. Improving operational efficiency and managing costs are critical.

Specific strategic areas in banking include:

- **Retail Banking:** Focuses on serving individual customers with products like checking accounts, savings accounts, and loans. Strategies might involve expanding branch networks, developing online banking platforms, and offering personalized financial advice.
- **Corporate Banking:** Focuses on serving businesses with products like loans, lines of credit, and cash management services. Strategies might involve developing industry expertise, building strong relationships with corporate clients, and offering customized financial solutions.
- **Investment Banking:** Focuses on providing financial advisory services to corporations, including mergers and acquisitions, underwriting securities, and managing investments. Strategies might involve building expertise in specific industries, developing strong relationships with institutional investors, and offering innovative financial products.

8.2. Peculiarities of Financial Strategy of Other Financial Intermediaries in the Market of Financial Services

Insurance Companies: The financial management of insurance companies has unique characteristics:

- **Underwriting Risk:** Assessing and managing the risk of insuring individuals or businesses. This involves setting premiums based on actuarial analysis and managing claims.
- **Investment Management:** Investing premiums received to generate returns and meet future claims obligations. This requires careful asset allocation and risk management.
- **Reinsurance:** Transferring a portion of the risk to other insurance companies to manage large potential losses.
- **Reserving:** Setting aside funds to cover future claims. This requires accurate actuarial analysis and financial planning.

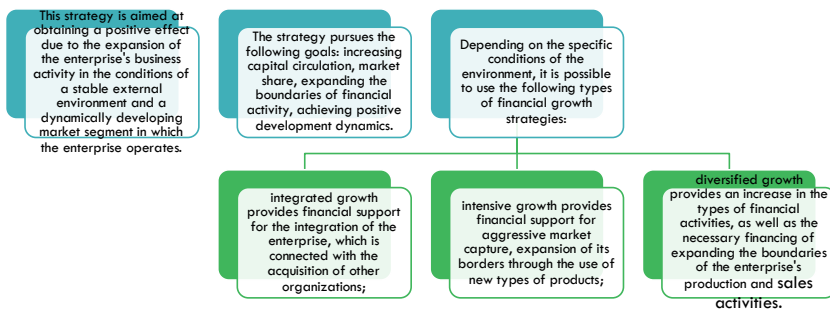
Key functions of financial management in insurance include:

- Pricing: Setting premiums that are sufficient to cover claims and expenses while remaining competitive.
- Investment: Managing the investment portfolio to generate returns while managing risk.
- Claims Management: Processing and paying claims efficiently and fairly.
- Financial Reporting: Providing accurate and timely financial information to stakeholders.

Financial strategies for insurance companies might include:

- Focus on specific market segments: Targeting specific demographics or industries.
- Developing innovative insurance products: Offering new types of coverage to meet evolving customer needs.
- Expanding into new geographic markets: Entering new regions or countries.
- Improving operational efficiency: Streamlining processes and reducing costs.

FINANCIAL GROWTH STRATEGY



Other Financial Intermediaries:

- Investment Firms (Mutual Funds, Hedge Funds): Focus on investment management and generating returns for investors. Strategies revolve around investment strategies, risk management, and attracting investors.

- Securities Brokerages: Facilitate the buying and selling of securities. Strategies focus on attracting clients, providing research and advisory services, and offering competitive trading platforms.

- Finance Companies: Provide loans and other financial services to individuals and businesses, often specializing in specific types of lending (e.g., auto loans, mortgages). Strategies often involve managing credit risk, setting competitive interest rates, and developing efficient loan processing systems.

Peculiarities of Financial Strategies of Other Financial Intermediaries:

- Focus on specialized services: Many intermediaries focus on specific niche markets or financial products.

- Strong reliance on technology: Technology plays a crucial role in delivering financial services efficiently and effectively.

- Emphasis on regulatory compliance: All financial intermediaries are subject to regulatory oversight.

- Competition from non-traditional players: Fintech companies and other non-traditional players are increasingly competing with traditional financial intermediaries.

FINANCIAL SURVIVAL STRATEGY



It is used in conditions of a deep crisis in a state close to bankruptcy, it consists in the application of quick coordinated actions, which are based on the most accurate calculations.



Programs for the restructuring of management systems, financial and economic activities, changes in the structure of the business portfolio, and sources of financial resources are being implemented.



Other types of financial survival strategy:

reduction strategy - consists in abandoning some types of activities in order to obtain better financial results in the most priority areas;

restructuring strategy – consists in bringing the structure of the enterprise's financial and economic activity into compliance with the conditions of the external environment.

Conclusion

Strategic management in the financial services industry requires a deep understanding of the unique challenges and opportunities presented by this sector. Effective risk management, regulatory compliance, customer relationship management, and technological innovation are crucial for success. Each type of financial intermediary has its specific strategic focus, driven by its core business model and the needs of its customers.



CASE STUDY: LIMITED LIABILITY COMPANY "MILK COMPANY GALYCHYNA"

1. General Characteristics of the Selected Enterprise

Limited Liability Company "Milk Company Galychyna" stands as one of Ukraine's largest dairy enterprises, commanding a leading position in the national dairy product market. Specifically, "Galychyna" excels as the top producer of fermented milk products and ranks among the top three yoghurt manufacturers in Ukraine. Its production facilities are strategically located in Western Ukraine, in the town of Radekhiv, Lviv region.

The company's roots trace back to 1955, when it operated as the state-owned enterprise "Radehivsky Maslozavod," specialising in butter and condensed milk. After a period, the enterprise resumed activities in 1998, re-establishing the production of these core items. With continuous modernisation, the company expanded its offerings to include sour cream and milk. A significant turning point came after 2000 with the launch of kefir and yoghurt production, marking a new chapter in Galychyna's history and solidifying its leadership in these categories.

The primary activities of "Galychyna Milk Company" LLC encompass the production of dairy products and retail trade in non-specialised stores. The company's diverse product portfolio includes drinkable and thick yoghurts, kefir, ryazhanka, milk, and butter. Demonstrating innovation and responsiveness to consumer needs, the company further diversified its offerings in 2020 by launching a line of lactose-free products.

A cornerstone of "Galychyna" quality assurance is its sourcing: 99% of its milk is procured directly from farms, ensuring adherence to stringent quality guarantees. This commitment to farm-sourced milk results in products with high protein content and superior quality indicators. The company's dedication to food safety is internationally recognised, with products meeting the highest international standards, confirmed by the FSSC 22000 certificate of conformity.

"Galychyna" production process is supported by modern European equipment from globally renowned manufacturers, including Tetra Pak (Sweden), Alfa Laval (Sweden), Gea (Germany), Obram (Poland), Tewes Bis (Poland), and Tewes Klima (Poland). This investment in advanced technology underscores its commitment to efficiency, quality, and high production standards.

2. Description of the Mission, Strategic Goals Implemented by the Enterprise

The mission of LLC "Milk Company Galychyna" is explicitly focused on meeting the needs of consumers with quality products made according to unique Carpathian recipes, from natural farm milk sourced from ecologically clean regions of the Carpathians. This mission deeply integrates regional identity and a commitment to natural, high-quality ingredients.

The company's product positioning strategically draws consumer attention to quality and naturalness, followed by the environmental friendliness of the packaging, and only then highlights the attractive price. This order of emphasis reflects a brand strategy built on premium perception and sustainability. The company's products aim to satisfy core consumer needs for natural and quality products, ecologically responsible packaging, and affordability. The brand's slogan, "Galychyna - from the pure Carpathians," encapsulates its commitment to purity and regional sourcing.

Key advantages highlighted for the "Galychyna" brand include:

- Not less than 40% of raw materials for Carpathian yoghurts and kefir originate from the Carpathian region, reinforcing the "pure Carpathians" claim.
- Unique, authors' combinations of sourdough starters in their yoghurts, suggesting distinct taste and quality.
- Absence or minimal amount of sugar in yoghurts, catering to health-conscious consumers.
- Convenient, portable packaging enhances consumer convenience.

The most important strategic goal of the company is to ensure the environmental friendliness of its products. This commitment extends to actively seeking ecological alternatives that preserve dairy product properties while simultaneously protecting the environment, demonstrating a strong corporate social responsibility.

3. Assessment of the Financial Condition of the Enterprise

The financial performance indicators for LLC "Milk Company Galychyna" from 2020 to 2022 demonstrate positive trends, reflecting expansion and improved operational efficiency.

Table 8.1. The financial performance indicators for LLC "Milk Company Galychyna"

№	Characteristic	2020 (UAH)	2021 (UAH0)	2022 (UAH)
1.	Net income (revenue) from sales	2,043,262	2,369,061	3,175,091
2.	Gross profit	461,059	313,640	840,425
3.	Profit from operating activity	35,426	33,999	66,328
4.	Profit from ordinary activity	11,854	12,237	37,749
5.	Net profit	9,894	10,034	30,954
6.	Profitability realised by products:			
	- gross	22.56%	13.20%	26.47%
	- operating	1.73%	1.44%	2.09%
	- net	0.48%	0.42%	0.97%

Net income from sales experienced a significant increase of 55.4% in 2022 compared to 2020, reaching UAH 3,175,091 thousand. This robust growth indicates successful expansion of the company's activities and an increase in its customer base.

Net profit showed even more impressive growth, tripling in 2022 compared to 2020, reaching UAH 30,954 thousand. This substantial improvement is attributed to increased production volumes, effective cost optimisation strategies, and continuous product improvement. Correspondingly, the net profitability of realised production doubled from 0.48% in 2020 to 0.97% in 2022, signifying a positive trend where the company generates more profit per unit of product sold. Gross profit also recovered strongly in 2022, reaching 26.47%, after a dip in 2021.

4. Description of the Analysis Method: Financial Equilibrium and Solvency Ratios

Financial equilibrium signifies the stability and harmony between a company's financial resources and its needs. From a financial perspective, it means the ability of an enterprise to consistently meet its debt obligations, both current and long-term, thereby avoiding the risk of bankruptcy. The primary means of achieving financial equilibrium is through the continuous assurance of a company's payment capacity over both short-term (liquidity) and long-term (solvency) horizons.

Financial Liquidity. Liquidity refers to an enterprise's ability to cover its short-term financial obligations. The most common forms of financial liquidity ratios include:

1. **Current Ratio (or General Liquidity):** Measures the ability to cover current liabilities with current assets. Optimal values are typically 200-250% (or 2.0-2.5 times). $\text{Current Ratio} = \text{Current Liabilities} / \text{Current Assets}$

2. **Quick Ratio (or Intermediary Liquidity):** Similar to the current ratio but excludes inventory from current assets, as inventory can be less liquid. Optimal values are generally 70-80% (or 0.7-0.8 times). $\text{Quick Ratio} = \text{Current Liabilities} / (\text{Current Assets} - \text{Inventory})$

3. **Effective Liquidity (Cash Ratio):** The most stringent liquidity measure, focusing on the most liquid assets (cash and cash equivalents) to cover current liabilities. Optimal values are typically 20-30%. $\text{Effective Liquidity} = \text{Current Liabilities} / \text{Cash and Cash Equivalents}$

Financial Solvency. Solvency represents an enterprise's capacity to meet its long-term financial obligations. Key models for assessing financial solvency include:

1. **General Financial Solvability Ratio:**

$$\text{General Financial Solvability Ratio} =$$

$\text{RC} (\text{Current rates of financial debt on long and medium term})$

$\text{ABr} (\text{Recalculated Assets})$ *ABr* represents assets recalculated, meaning

balance sheet assets after deduction of current debts. *RC* represents the current portions of long-term and medium-term financial debt to be paid.

2. Solvency Expressed Through Financial Dependency

Ratios:

- **Debt/Asset Ratio:** Compares total liabilities to total assets, indicating the proportion of assets financed by creditors. Optimal range: 0-30%. $\text{Debt/Asset Ratio} = \text{Total Assets} / \text{Total Liabilities}$

- **Equity/Assets Ratio:** Measures the proportion of total assets financed by owner's equity, indicating financial position. Optimal range: 30-100%. $\text{Equity/Assets Ratio} = \text{Total Assets} / \text{Total Equity}$

- **Debt/Equity Ratio (Financial Risk Ratio):** Shows how much loan capital is attracted per unit of own capital. Optimal value: <100% (or <1.0 time). $\text{Debt/Equity Ratio} = \text{Total Equity} / \text{Total Liabilities}$

3. Solvency Expressed Through the Level of the Time

Interests Earned (TIE) Ratio: Measures a company's ability to cover its interest payments with its operating earnings. $\text{Time Interests Earned (TIE) Ratio} = \frac{\text{Interest Charges}}{\text{EBIT (Earnings Before Interest and Taxes)}}$

Working Capital (WK) Analysis Working capital is a key indicator of short-term financial equilibrium. $\text{Working Capital (WK)} = \text{Current Assets} - \text{Current Liabilities}$

- If $\text{WK} = 0$: Negative short-term equilibrium, indicating potential dysfunction. Rare in practice.

- If $\text{WK} > 0$: Short-term financial equilibrium, meaning current assets are adequately subsidised by permanent capital.

- If $\text{WK} < 0$: Short-term financial disequilibrium, where current liabilities finance both current and part of fixed assets, leading to liquidity difficulties.

Activity Indicators (Rotation Speed) These indicators assess the efficiency with which a company uses its assets to generate sales. They include:

1. Rotation speed of total assets.
2. Rotation speed for specific asset components (e.g., receivables).
3. Rotation speed of own equity.

Cash Flow Statement Analysis (Monetary Equilibrium) The Cash Flow Statement provides insight into a company's ability to generate cash and manage its cash flows across three main activities: Total Cash Flow (Tr)=Tr (Operational Activity)+Tr (Investing Activity)+Tr (Financing Activity) Positive cash flow from operational activity indicates strong core business performance. Negative investing cash flow often signifies investment in growth. Financing cash flow reflects debt/equity management.

5. Conducting an Analysis Using Enterprise Data

The Current Ratio and Quick Ratio for "Milk Company Galychyna" do not meet the optimal values (200-250% and 70-80%, respectively), indicating a short-term liquidity weakness. However, it's a positive trend that all liquidity ratios showed growth in 2022 compared to 2020. Specifically, the Effective Liquidity Ratio reached its optimal value of 20-30% in 2022, suggesting improved cash management. Despite the positive trend, the overall low current and quick ratios imply a reliance on short-term liabilities to finance current assets.

Table 8.2 Indicators of Financial Liquidities of LLC "Milk Company Galychyna", 2020-2022

Indicators	2020	2021	2022
Current ratio	77.8%	78.8%	90.2%
Quick ratio	54.3%	50.5%	54.7%
Effective liquidity	29.1%	11.6%	31.2%

Table 8.3. Indicators of Solvability of LLC "Milk Company Galychyna", 2020-2022

Indicators	2020	2021	2022
General financial solvability ratio	2.64 times	4.4 times	9 times
The Debt/Asset Ratio	95%	93.6%	66%
The Equity/Assets Ratio	5%	6.4%	34%
The Debt/Equity Ratio	19 times	14.7 times	1.9 times
The Time Interests Earned (TIE) ratio	2.3 times	1.6 times	2.3 times

The General Financial Solvability Ratio shows a strong and positive upward trend from 2.64 times in 2020 to 9 times in 2022. This indicates a significantly increasing ability of the company to meet its long-term and medium-term financial obligations using its assets. The Debt/Asset Ratio was critically high in 2020-2021 (95-93.6%), meaning a vast majority of assets were financed by debt. However, a remarkable improvement was observed in 2022, with the ratio decreasing to 66%. This was accompanied by a substantial increase in the Equity/Assets Ratio from 5% in 2020 to 34% in 2022, signifying a healthier capital structure with a greater reliance on equity financing. The Debt/Equity Ratio also dramatically improved, falling from 19 times in 2020 to 1.9 times in 2022. While 1.9 is still above the optimal <1.0, the sharp decrease indicates a positive move towards less reliance on borrowed capital per unit of equity. The Time Interests Earned (TIE) Ratio recovered to 2.3 times in 2022 from a dip in 2021, matching its 2020 level. This suggests that the company's operating profit is sufficient to cover its interest expenses, indicating efficiency in utilizing loan capital.

The Working Capital of "Milk Company Galychyna" remained negative throughout 2020-2022. This is a concerning indicator, as it means that not only are all current assets financed by current liabilities, but a portion of non-current (fixed) assets is also financed by short-term debt. This poses

a significant liquidity risk. While the deficit narrowed in 2022 (from -UAH 156,346 thousand in 2021 to -UAH 82,006 thousand), the fundamental issue of negative working capital persists, indicating a reliance on short-term funding for long-term assets.

Table 8.4. Analysis of the Financial Patrimonial Balance by Working Capital Indicator, 2020-2022

Indicators	2020 (UAH)	2021 (UAH)	2022 (UAH)
Current assets	477,076	582,321	756,955
Current liabilities	613,127	738,667	838,961
Working capital	-136,051	-156,346	-82,006

Table 8.5. Analysis of the Financial Equilibrium by Activity Indicators, 2020-2022

Indicators (times)	2020	2021	2022
The rotation speed of the actives	4.66	4.47	4.74
The rotation for the debts (receivables)	8.47	8.54	9.99
The rotation speed of the own equity	71.8	55.86	12.32

The rotation speed of total assets and receivables both showed positive growth from 2020 to 2022, reaching 4.74 times and 9.99 times respectively. This indicates an improvement in the company's asset management efficiency, meaning it is generating sales more effectively from its assets and collecting receivables more quickly. However, the rotation speed of own equity significantly decreased by almost six times in 2022 compared to 2020. While a high equity turnover generally indicates efficient use of equity, a sharp decrease in this context (coupled with the increase in Equity/Assets ratio) is likely explained by the substantial increase in the share of equity capital in the company's overall capital structure. This increase in equity, while reducing dependence on external sources, naturally lowers the turnover ratio because the denominator (equity) grew

significantly. So, in this specific context, the decrease is not necessarily negative, as it reflects a positive shift in capital structure.

Table 8.6. Analysis of the Financial Equilibrium by Cash Flow Statement, 2020-2022

Indicators	2020 (UAH '000)	2021 (UAH '000)	2022 (UAH '000)
Tr (operational activity)	-24,000	-151,999	190,110
Tr (investing activity)	-66,787	-189,157	-183,358
Tr (financing activity)	112,445	294,762	81,163
Tr (general)	21,659	-46,394	87,915

The General Cash Flow (Tr) of "Milk Company Galychyna" was positive in 2022 (UAH 87,915 thousand), which is a positive development, especially compared to the negative cash flow in 2021. Cash flow from operational activity turned significantly positive in 2022 (UAH 190,110 thousand) after being negative in previous years. This is a strong indicator of improved core business profitability and cash generation. Cash flow from financing activity remained positive across all years, albeit decreasing in 2022 compared to 2021. This indicates the company consistently attracted funds through debt or equity to support its operations and investments. Cash flow from investing activity was consistently negative. However, a negative cash flow from investing activity is generally a positive sign as it suggests the company is investing in long-term assets, such as modern equipment or expansion, which are expected to generate future growth and profits.

6. Conclusions and Recommendations for Improving the Company's Strategy

"Milk Company Galychyna" is a strong player in the Ukrainian dairy market, particularly in fermented milk products and yogurts, leveraging its commitment to natural, farm-sourced milk and Carpathian recipes.

Financially, the company shows robust growth in revenue and net profit, demonstrating effective production increase and cost optimization. Its long-term solvency has significantly improved in 2022 due to a positive shift in its capital structure (increased equity share). The strong positive cash flow from operations in 2022 also indicates a healthier core business.

However, the analysis highlights a persistent challenge: negative working capital and suboptimal current and quick liquidity ratios. This indicates a short-term financial imbalance where current liabilities are funding not only current assets but also a portion of fixed assets, creating liquidity risks. While long-term solvency is improving, managing short-term cash flow and optimising the balance between current assets and liabilities remains critical.

Recommendations for Improving the Company's Strategy, particularly in the Field of Financing:

To build upon its strengths and address identified weaknesses, "Milk Company Galychyna" should integrate the following measures into its current financial strategy:

1. **Increase the Specific Weight of Equity Capital in the Overall Structure:** While 2022 saw a positive shift, further strengthening the equity base will enhance long-term financial stability and reduce reliance on debt, especially short-term. This can be achieved through retained earnings or strategically considering new equity infusions if expansion requires significant capital.

2. **Take Measures to Increase the Company's Current Assets:** This could involve more efficient inventory management to minimise holding costs while ensuring product availability, or optimising accounts receivable collection to convert sales into cash more quickly. The goal is to ensure sufficient liquid assets to cover current liabilities.

3. **Implement Measures to Optimize the Company's Current Debt:** This involves actively managing short-term liabilities. Strategies could include negotiating longer payment terms with suppliers,

restructuring short-term loans into longer-term debt to align with asset life cycles, or exploring alternative short-term financing options that are more flexible.

4. **At the Management Level, Create a Mechanism for Monitoring the Company's Liquidity Indicators:** Regular, perhaps daily or weekly, monitoring of current, quick, and cash ratios is essential. This proactive approach will allow management to identify potential liquidity shortages early and implement corrective actions before they escalate into significant issues.

5. **Use Stock Market Tools to Attract Additional Investment Capital:** Given the company's strong market position and improving financial performance (especially profitability and operational cash flow), exploring public offerings or other stock market tools could be a viable option to raise significant, non-debt capital. This would further boost equity, reduce leverage, and provide funds for strategic investments without increasing short-term liquidity pressure.

By focusing on these financial strategic adjustments, "Milk Company Galychyna" can solidify its short-term financial health, complement its strong market position and growth trajectory, and ensure long-term sustainable development.



Tasks and Questions for Students:

Task 1: Financial Performance and Equilibrium Analysis

Instructions: Analyse the provided financial data for "Milk Company Galychyna" across the years 2020-2022.

Questions:

1. Describe the trend in "Milk Company Galychyna" net income and net profit from 2020 to 2022. What factors does the case study attribute to these trends?

2. Explain the concept of "negative working capital" in the context of "Milk Company Galychyna." What are the potential implications of this situation for the company's financial health?

3. Despite the negative working capital, identify two positive trends observed in the company's solvency indicators for 2022 compared to previous years. Explain the significance of these improvements.

Task 2: Strategic Alignment and Value Proposition

Instructions: Refer to the company's mission, slogan, and stated advantages.

Questions:

1. How effectively does "Milk Company Galychyna" 's mission statement and slogan ("Galychyna - from the pure Carpathians") reflect its core product offerings and competitive advantages?

2. The company prioritises "quality and naturalness" and "environmental friendliness of packaging" before "attractive price." Discuss how this positioning strategy differentiates "Galychyna" in the competitive dairy market.

3. The company's most important strategic goal is to "ensure the environmental friendliness of products." How does this goal align with current consumer trends, and what competitive advantage might it offer in the future?

Task 3: Operational Efficiency and Investment

Instructions: Examine the data related to activity indicators and cash flow.

Questions:

1. Analyse the trends in "The rotation speed of the actives" and "The rotation for the debts (receivables)." What do these trends suggest about the company's operational efficiency?

2. Explain why a "negative Cash flow from investing activity" is generally considered a positive sign for a growing company like "Milk Company Galychyna."

3. The rotation speed of own equity decreased significantly in 2022. Based on the case study, what is the primary reason for this decrease, and is it a positive or negative indicator in this specific context? Justify your answer.

Task 4: Strategic Recommendations and Future Financing

Instructions: Evaluate the recommendations provided at the end of the case study.

Questions:

1. Choose two of the proposed recommendations for improving Milk Company Galychyna financial strategy. For each chosen recommendation, explain *how* it would directly address a specific financial weakness identified in the case study.

2. Considering "Milk Company Galychyna" history of modernisation and investment in European equipment, how might "using stock market tools to attract additional investment capital" (Recommendation 5) support both its financial stability and future growth ambitions?

3. If you were a financial advisor to "Milk Company Galychyna," what additional short-term tactical recommendation would you provide to improve its liquidity, beyond those already listed, and why?

GLOSSARY

Boston Consulting Group (BCG) Matrix - A portfolio management tool that classifies business units based on market share and market growth rate.

Corporate Strategy - The overall strategy of a diversified company defines the scope of its businesses and how they will be managed.

DuPont Method - A technique for analysing return on equity by breaking it down into its component parts.

Enterprise as an Open System - Viewing the organisation as interacting with its external environment, exchanging resources and information.

Evolution of Strategy - The historical development of strategic thinking, from early military applications to modern business concepts, including concepts like SWOT, Porter's Five Forces, and resource-based view.

External Environment - The factors outside an organisation that can affect its performance, including macroenvironmental (PESTLE) and microenvironmental (industry) factors.

Financial Goals - Objectives related to financial performance, such as profitability, revenue growth, and return on investment.

Financial Strategy - A plan for managing an organisation's financial resources to support its overall strategy.

Forecasting - Predicting future environmental conditions based on current trends and data.

GAP Analysis - A technique for identifying the difference between an organisation's current performance and its desired future performance.

Goals - Broad statements of desired future outcomes.

Harvard Model of Strategic Potential - A framework for assessing an organisation's competitive position based on industry attractiveness and business strength.

Image/Credo - The desired public perception of an organisation and its core beliefs.

Indicators of Strategic Achievements - Metrics used to measure the success of a strategy, including financial performance, market share, customer satisfaction, and innovation.

Infrastructural Support for Developing a Strategic Model - The resources, systems, and processes needed to support strategic planning and implementation.

Internal Environment - The internal factors within an organisation that influence its performance, such as resources, capabilities, culture, and structure.

Key Characteristics of Strategy - Attributes that define a good strategy, such as consistency, feasibility, competitive advantage, and responsiveness to change.

Macroenvironment - The broader environmental context in which an organisation operates, including political, economic, social, technological, legal, and environmental (PESTLE) factors.

Managing Strategy Implementation - The process of putting a strategy into action, including resource allocation, organisational structure, and performance monitoring.

McKinsey-General Electric Matrix - A portfolio management tool that considers multiple factors to assess business unit attractiveness and competitive strength.

Microenvironment - The immediate environment surrounding an organisation, including competitors, customers, suppliers, and other stakeholders.

Mission - A statement that defines an organisation's purpose, values, and primary objectives.

Monitoring - Tracking specific environmental trends and events over time to assess their potential impact.

Objectives - Specific, measurable, achievable, relevant, and time-bound (SMART) targets that support the achievement of goals.

Organisational (Corporate) Culture - **The shared values, beliefs, and behaviours that shape the internal environment of an organisation.**

Principles of Strategic Model Formation - Guiding principles for developing a strategic model, such as alignment with mission and goals, consideration of internal and external factors, and adaptability.

Product-Market Matrix (Ansoff Matrix) - A tool for identifying growth opportunities through market penetration, market development, product development, and diversification.

Scanning - The process of monitoring the external environment for emerging trends, threats, and opportunities.

Signs of an Insufficiently Justified Strategy - Indicators that a strategy is flawed, such as a lack of focus, unrealistic assumptions, or failure to address key threats and opportunities.

Staff Training - Programs designed to develop the skills and knowledge of employees to support strategy implementation.

Stages of Enterprise Development within the Strategic Model - The different phases of an organisation's lifecycle, each requiring different strategic approaches.

Stakeholders - Individuals or groups who have an interest in or are affected by the actions of an organisation.

Strategic Goals - Objectives related to achieving a competitive advantage and long-term sustainability.

Strategic Management Decisions - Choices made by managers that affect the direction and performance of the organisation.

Strategic Management in Banks/Insurance Companies/Financial Intermediaries - The application of strategic

management principles to specific financial institutions, considering their unique characteristics and regulatory environments.

Strategic Transformations - Fundamental changes in an organisation's strategy, structure, processes, or culture to adapt to significant shifts in the environment or to pursue new opportunities.

Strategy as an Economic Category - The role of strategy in resource allocation, value creation, and achieving sustainable competitive advantage within a market economy.

Strategy - A comprehensive plan of action designed to achieve long-term goals and objectives, considering the organisation's internal capabilities and the external environment.

SWOT Analysis - A framework for analysing an organisation's internal strengths and weaknesses and external opportunities and threats.

Tree of Goals - A hierarchical structure that shows the relationship between different levels of goals and objectives.

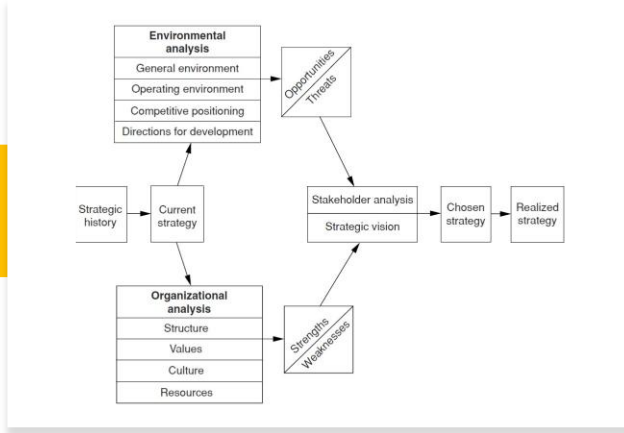
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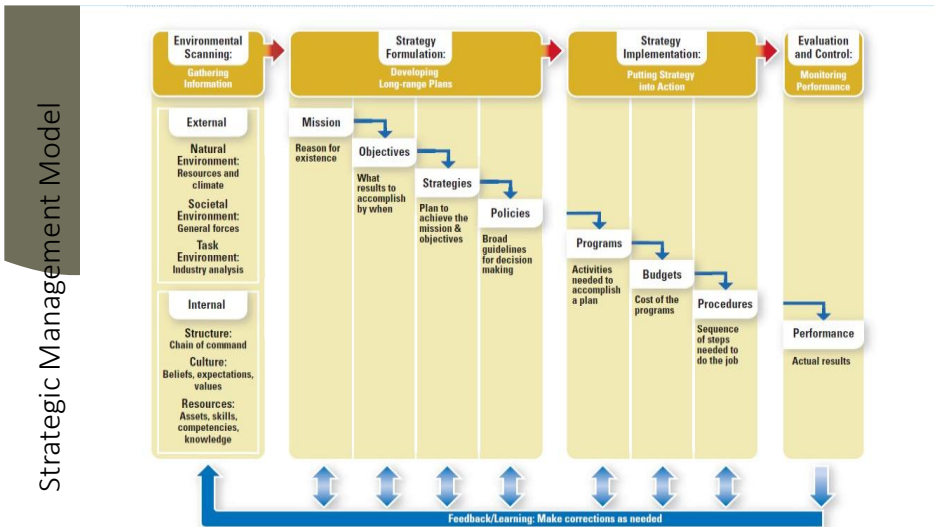
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ANNEXES



The Strategic Management Process



BANKING SALES STRATEGIES



CROSS-SELLING

Offer complementary products and services to existing customers, such as credit cards, insurance, or investment products.



UP-SELLING

Encourage customers to upgrade their existing products or services moving from a basic savings account to one with higher interest rates.



REFERRAL PROGRAMS

Incentivize existing customers to refer friends and family members to the bank by offering bonuses or discounts on services.

BANKING SALES STRATEGIES



● Segmentation

● Product bundling

● Customer satisfaction surveys



Strategy to unlock core business value, augment operational and financial stability, and maximize dividend and privatization potential through effective target operating model

Key Targets of Strategy Update

Create operationally strong and competitive organization

As a leading provider of Retail and SME services, secure and expand Bank's position as one of the strongest and biggest retail banks in CEE with economic and social impact on Ukraine and beyond

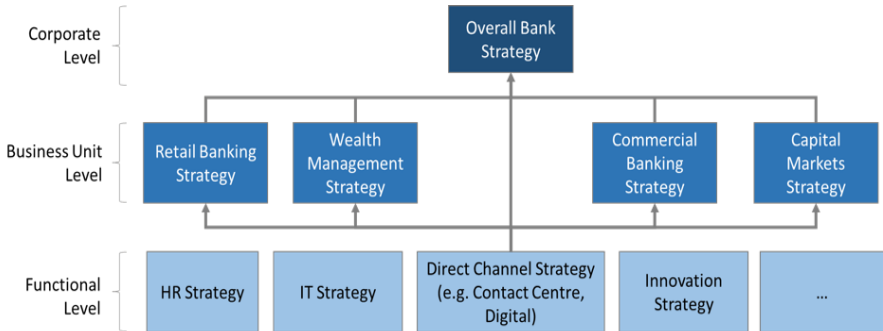
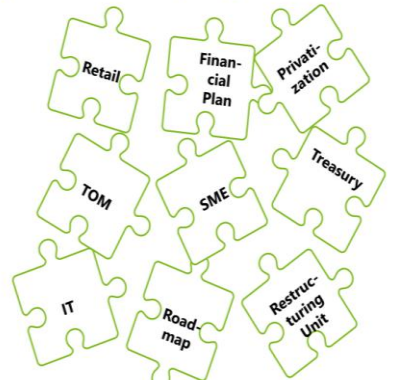
Ensure dividend strength and financial stability

Sustainable and strong dividends to the shareholder provided by reaching core business goals and target operating model

Transform Bank into attractive, viable investment opportunity

Maximization of shareholder value with high potential for a successful sale considering time value proposition is not geared to a quick privatization

Requires multi-dimensional operating model



Successful corporate strategies - Porsche

- For many decades, Porsche pursued a high differentiation strategy. Using a clear strategic profile as a focused differentiator, Porsche was very successful and very profitable. More recently, the Porsche brand is repositioning itself from focused differentiation to broad differentiation by changing its competitive scope.

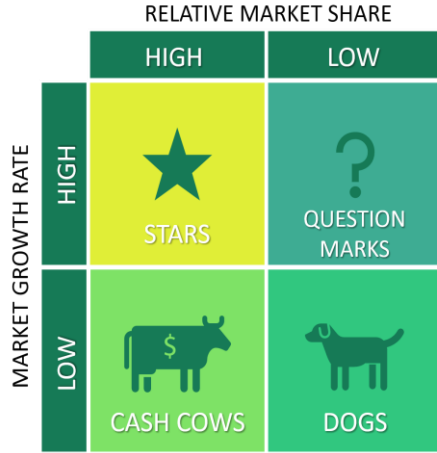


Successful corporate strategies - Toyota

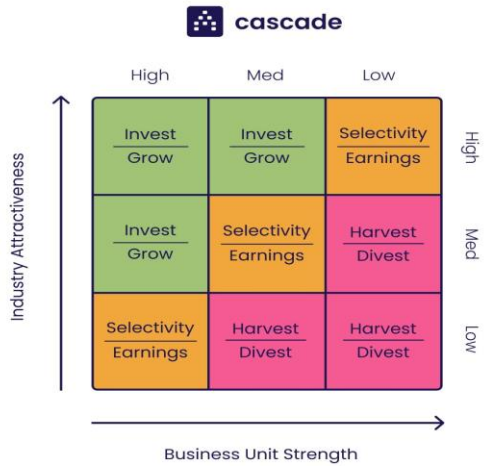


- Toyota's main intensive growth strategy is market penetration. This intensive strategy supports business growth by reaching and attracting more customers in the company's current automobile markets. To fulfill this intensive growth strategy, Toyota ensures that it offers products for every market segment.

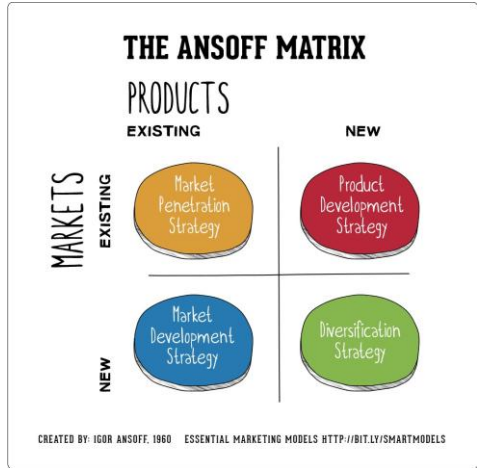
BKG MATRIX



THE MCKINSEY MATRIX



MATRIX OF I. ANSOFF



SCHEME OF D. ABELL

