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RESEARCH OF THE CONCEPT OF FINANCIAL STRATEGY OF THE ENTERPRISE AND ITS COMPONENTS

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ABSTRACT

The place of financial strategy in the strategic planning of the company's activities is being studied. Based on the comparison of the opinions of various scientists, the definition of the company's financial strategy in a broad and narrow sense has been formed. In a narrow sense, a company's financial strategy is a set of management decisions aimed at optimizing the capital structure and minimizing weighted average costs in order to create value for stakeholders. In a broad sense, a company's financial strategy is a set of management decisions in the field of strategic financial management related to financing policy, investment policy and dividend policy that support sustainable competitive advantages, optimization of capital structure, growth of market capitalization, resulting in added value for stakeholders. The interrelation of financial strategy with corporate strategy is investigated. The main goals that are set when developing a financial strategy are defined. The types of financial strategies found in companies are presented. The basic model of financial strategy formation is described.

Introduction

Financial strategy is one of the key components of the company's strategy system. Successful implementation of the strategy is impossible without coordination of all its components, namely the functional strategies of the company (marketing strategy, operational strategy, R&D strategy, etc.) and their coordination with the financial strategy of the company.

The uncertainty manifested in the growing likelihood of a global recession, the intensification of trade wars between leading national economies, and political instability in various regions requires companies to develop new non-standard approaches to the development and implementation of financial strategies. From the point of view of planning a financial strategy, there has been a change of priorities: in the face of a significant reduction in demand, the closure of traditional export markets, macroeconomic shocks and increasing uncertainty, the company's management should shift its focus to the survival of the company, maintaining market positions in conditions of tight financing, maintaining the level of business activity in conditions of declining purchasing power of the population. From the point of view of financial strategy, it is necessary to take into account the limitations created by modern realities, namely: limited credit financing, limited access to foreign financial markets (to raise funds).

1. Defining the financial strategy

Based on the various formulations of the content of the financial strategy, we can define the financial strategy of the company in a broad and narrow sense:

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- In a narrow sense, a company's financial strategy is a set of management decisions aimed at optimizing the capital structure and minimizing weighted average costs in order to create value for stakeholders;
- In a broad sense, a company's financial strategy is a set of management decisions in the field of strategic financial management related to financing policy, investment policy and dividend policy, which support sustainable competitive advantages, optimization of capital structure, growth of market capitalization, resulting in added value for stakeholders.

2. Relationship between financial and corporate strategies

The relationship between financial and corporate strategies is manifested in the need for measurable results of the strategy; the success of a corporate strategy is usually measured by financial indicators - turnover and profit, as well as market indicators: achieving the target market share, effectively launching a new product, diversifying the product portfolio, entering a new market segment, entering the export market, etc.

The argument about the relationship between financial strategy, corporate strategy and functional strategies is supported in the work of E. Helfert (Helfert, 2003), where it is noted that the basis for successful company management is the development, implementation and maintenance of a stable set of functional strategies, investment goals, operational goals, financing policies that support and strengthen, rather than contradict each other. For this reason, the financial strategy acts as an intermediary, ensuring the interaction between functional strategies and corporate strategy. Depending on the direction of development of the company's market position, the financial strategy should balance this direction of development of the market position, i.e. with aggressive market growth (dynamic growth of market share), the financial strategy should be conservative (when the company's development is financed mainly by equity and increased operational efficiency); with a moderate vector of market growth, the financial strategy should be aggressive, which will reduce the cost of capital through debt financing, gaining additional competitive advantages. This thesis is supported by a study by A. Rappaport (1998), which highlights the factors (both financial and non-financial) that affect the creation of shareholder value added, namely:

1. Improving sales growth dynamics;
2. Increasing EBIT margin;
3. Reducing capital costs;
4. Increasing turnover;
5. Strengthening competitive advantages;
6. Reducing WACC (Shogenov & Temukueva, 2022).

The relationship between financial strategy and corporate strategy is also expressed through the financial component of strategic initiatives at all organizational levels. A company can increase its market capitalization by creating long-term competitive advantages by choosing and implementing an appropriate competitive strategy. All this requires effective financial management focused on long-term results.

Firstly, the financial strategy fulfills its direct task of finding the optimal capital structure, secondly, it supports and ensures the implementation of other functional strategies, and thirdly, it balances various components of the corporate strategy. Thus, we come to the conclusion that to a large extent the essence of the "financial strategy of the company" can be revealed through its interaction with other areas of the company's strategy.

As the company has identified its financing needs, the possibilities of raising funds are being explored and the best option is selected - in terms of corporate goals and preferences of stakeholders. The attracted financing should be with the lowest possible WACC - which, in turn, contributes to an increase in the net profit margin and, further, added value for interested parties. The funds raised are then used in investment activities, i.e. in fixed and current assets, which allow the company to maintain and expand its sustainable competitive advantages - thus protecting the added value from erosion. The funds should be used with the best possible return, i.e. maximizing NPV. Cost of capital Minimization (WACC) and profit maximization (NPV) reflect both sides of the value added of stakeholders. Therefore, the added value is distributed in accordance with the expectations of the stakeholders - i.e.:

1. dividend policy (a part of net profit aimed at distribution to shareholders),
2. growth of market capitalization (expressed in EPS growth),
3. management policy (another part of net profit, namely reinvestment of retained earnings).

Finally, the profile of the company is changing among financial market participants (shareholders, potential investors, market infrastructure (bankers, rating agencies), the state, and others) - thanks to the principles sent by the company during the formation of its financial strategy.

3. Goals of financial strategy

The financial strategy is aimed at achieving both general market and specific financial goals. Being an interdisciplinary concept (i.e. between the theory of corporate finance and the theory of strategic management), a balanced financial strategy should take into account the interests of all external and internal participants, namely: employees, company management, the state, creditors, suppliers, the local community, consumers and others. Meeting the interests of stakeholders is a key component of the long-term value creation process. Creating value for shareholders and other stakeholders is possible as a result of implementing financial solutions in the following areas:

1. determining the optimal capital structure and raising funds at the lowest possible cost;
2. sound investment policy and efficient allocation of internal resources;
3. dividend policy and investor.

Such a set of goals entails the need for a financial strategy - at the stages of its formation and implementation - to take into account not only the financial prospects of the company, but also the overall interaction of the company with both the internal and external environment. Accordingly, the development of financial management decisions requires consideration of possible consequences for stakeholder groups.

A financial strategy belongs to the category of functional strategies of an enterprise. Enterprises can develop three types of financial strategies:

1. general,
2. operational and
3. strategy for the implementation of individual strategic goals (strategy for achieving personal goals).

The overall strategy is considered to be the most extensive and more complete financial strategy of the enterprise (Bryantseva, 2021).

The operational financial strategy divides the main strategy into different time intervals. It performs a certain part of the functions and tasks of the overall strategy. The development of this strategy takes place within a short period of time, as a result of which such characteristics as settlements with the company's customers, securities activities, etc. are affected.

Grigorieva T.I. defines an operational financial strategy as the main tool for managing total revenue and creating financial resources (ensuring settlements with customers for products sold, receiving funds from company loans, income from securities transactions) and general economic costs (payments to suppliers, salaries of employees, payments on loans and for social needs), which allows you to determine in the planning area the entire turnover for the arrival and expenditure of the company's funds. The operational financial strategy is implemented within the framework of the overall strategy, breaking it down into its component parts (Grigorieva, 2023).

The strategy of fulfilling individual strategic tasks does not represent any time-limited system, it primarily ensures the fulfillment of private (strategic) tasks. Thanks to her, all the necessary financial transactions are carried out in the company, the result of which contains the solution of the tasks of the main strategy. Thus, a strategy for solving specific tasks must be implemented in parallel with a general or operational financial strategy and under no circumstances can accompany the achievement of their development (Gurdjieff, 1999).

The formation of an organization's financial strategy is one of the primary tasks of its financial management. The reactionary nature of interaction with internal and external factors, in our opinion, sooner or later leads any enterprise to bankruptcy. In these conditions, the identification of the firm's strengths and weaknesses, the search for alternative methods and ways of development becomes the main problem needed to be solved.

It is worth noting the importance of taking into account different approaches to the process of forming an organization's financial strategy, both from the point of view of dividing strategies into current, general and functional, and from the standpoint of analyzing external and internal factors acting on the organization.

4. Model for the formation of the financial strategy

The conducted research allowed us to form a model for the formation of the financial strategy of the enterprise.

Any work on the formation of strategic guidelines should begin with an assessment of the current situation in which a particular enterprise operates. The influence of external and internal factors on production activities can be assessed in many ways, including operational analysis, and identification of the break-even point of the company, and estimates of the dynamics of business value, and estimates of the dynamics of the price of capital, etc.

Ultimately, external and internal factors and the reaction of financial management to their impact form the features of the financial mechanism of the enterprise with its weaknesses and strengths. In our opinion, it is advisable to evaluate these features from the point of view of the financial strategy we have chosen, both in its entirety and from the standpoint of its functional component (current, functional and general strategy). The proposed block of analysis is designed to answer the question of whether the currently chosen financial strategy of the organization is effective.

In case of a positive answer to the question, the tasks of the financial management of the enterprise will include only support and adjustment of the current financial strategy.

If the chosen financial strategy turns out to be ineffective, it is necessary to carry out activities related to the analysis of strategic alternatives of the enterprise. It should be noted that if the financial management of the company does not clearly postulate the elements of the financial strategy of the organization, we understand that they still take place in the enterprise, in this case it is also necessary to evaluate strategic alternatives.

Based on the goal setting of the owner, the available production, personnel, and resource potential, the financial manager selects a promising one from many alternatives to financial strategies and weeds out all unpromising strategies.

The next stage is the moment of developing a new financial strategy for the organization. Here, the goal is formulated and the tasks of financial management are set, methods of solving them are selected, performers and deadlines are appointed.

Next, the tasks are divided into measures for the implementation of the financial strategy of the organization, after which the stage of their implementation begins. The success of the organization's financial strategy depends on the quality of the procedures performed at this stage. The achievement of the set tasks and goals will depend on the competent actions of financial management.

The last stage is the adjustment of the chosen financial strategy, which is necessary in conditions of uncertainty in the economy. At any moment, the external or internal conditions of the business may change, which will force the company to change the financial model of its existence.

It is worth noting that the proposed model has a cyclical nature, its activities should be carried out at least once every 3-5 years, with a change in the stage of the life cycle of the enterprise.

Conclusion

An effective and efficient financial strategy is a complex multi-level interdisciplinary concept that takes into account both narrow tasks (optimizing the capital structure) and broad ones (strengthening the company's long-term market position, creating added value for market participants), which should be based not only on the analysis of retrospective financial and management accounting data, but also take into account scientific and practical development, which ultimately forms an effective and balanced financial and corporate strategy of the company.

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