The Impact of Strategic Management on The Financial Situation of The Company

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Abstract

The impact of strategic management on the financial situation of a company is one of the main topics that draw the attention of both the academic community and management experts. Strategic management covers a wide range of processes and approaches aimed at formulating and implementing enterprise strategies to achieve long-term goals. The financial situation of a company is determined not only by its current income and expenses but also by strategic decisions that affect its financial performance in the future. Therefore, the study of the correlation between strategic management and economic efficiency of a company has a great importance for understanding the principles of successful management and achieving sustainable financial development of enterprises. The topic is highly relevant in the context of difficult economic conditions caused by global challenges, such as financial crises, changes in trade relations, technological revolutions, etc. As a company’s financial condition is one of the leading indicators of its success and viability, understanding the connection between strategic management and finance becomes extremely important for management, investors, analysts, and all business stakeholders. The article reveals that the choice of a company’s development strategy is an essential factor that affects its financial state. In addition, it has been found that the application of effective strategies can help to ensure the economic stability and success of an enterprise, as well as provide a competitive advantage in the market. It is also essential to take into account the autonomy and interaction of competitive strategies and key objects of management attention to ensure their effectiveness under various conditions.

Keywords: Strategic Management, Financial State, Enterprise, Risk Management, Investments, Efficiency, Profitability, Business Development, Competitiveness

INTRODUCTION

The financial situation of a company is an important indicator of its success and sustainability. It affects a company’s ability to attract resources, invest in its development, pay dividends, and conduct business in a risky environment. Strategic management, in turn, determines the overall direction of the company’s development, including its mission, goals, strategies, and actions to achieve success in the market. First and foremost, strategic management affects the company’s financial situation by setting clear financial goals and strategies for achieving them. In this context, strategic management determines the ways to achieve these goals through the optimization of financial processes, risk management, and investment decisions. The company may also aim to increase profits, improve profitability, or increase market share.

In addition, strategic management determines the investment priorities of a company. It helps to determine the most promising areas of development from a financial perspective and where investments should be made to ensure stable profit growth. In this way, strategic management and the financial situation of a company are interconnected and interdependent. Effective strategic management helps to ensure the financial stability and success of any company and, accordingly, its ability to achieve its strategic goals and fulfill its mission.
This article aims to analyze the impact of strategic management on the financial situation of a company in order to identify the key factors that affect the financial stability and success of a business. The paper seeks to identify strategic approaches that help to optimize financial results and ensure the stable development of an enterprise.

LITERATURE REVIEW

Polyatykina, (2023) substantiated the importance of using the financial development strategy as a system of influence on the efficiency of business entities. The paper notes that such directions are integral factors that help to avoid crises and contribute to the competitiveness of an enterprise, as well as its further development. The author emphasizes the relevance of financial strategies for business entities in the national economy. This is especially true in the context of the economic crisis that has engulfed many sectors of the national economy since the beginning of the full-scale invasion. Also, the research findings indicate the unstable state of enterprises in the agricultural industry. In addition, the author identified the need for continuous diagnostics of processes and the introduction of a set of measures in various areas of management, including production and technical, organizational and legal, financial and economic, and socio-economic areas.

At the same time, Boguslavskaya, Bilous, and Dyak, (2023) conducted a study focused on identifying crisis management strategies that help enterprises effectively address potential crises and ensure their stability and successful operation within an uncertain business environment. This research examined various strategies that can be used to overcome crises and ensure enterprise sustainability. The results of this study are helpful for both theoretical and practical application during the implementation of crisis management at enterprises in various industries and markets.

For example, Mykhaylova, and Mykhaylov, (2023) have determined that the development of crisis management strategies includes an analysis of the company’s financial condition and its external environment. It helps to identify possible issues and risks that may arise during a crisis. In addition, the authors pointed out the importance of taking into account the specifics of the industry where the company operates, market competition, the financial situation of a company, and external factors when developing crisis management strategies. These factors help to ensure an adequate response to potential crises and maintain the company’s stability even within an uncertain business environment.

In their study, Feyer, Haustova, and Husti, (2023) investigated the impact of strategic management on the business environment under martial law. The authors revealed the essence of strategic management in the context of instability. They also focused on the advantages and main tasks of this approach. In particular, the authors studied the trends in the development of entrepreneurship during the war, systematized issues, and threats. Moreover, they proposed strategic and tactical directions for business development during wartime, demonstrating the importance of flexibility, adaptability, and responsiveness to change.

Based on the conducted studies, we have found that enterprises face major challenges such as reduced demand, increased costs, and decreased productivity during this period. The authors proposed solutions, in particular, relocation of business and reorientation to manufacturing real goods. The article also discusses strategic opportunities to support the development of an enterprise in the face of modern challenges.

METHODS

The following methods were employed while conducting this research:

literature analysis was used to identify the key aspects of strategic management in a highly competitive and changing market environment;

the method of systematization was used to analyze the impact of martial law on various aspects of business functioning, in particular, to identify direct and indirect losses incurred by enterprises as a result of hostilities;

an analysis of statistical data was carried out to assess the impact of war conditions on the development of entrepreneurship by analyzing the dynamics of key indicators such as the number of registered business entities, the number of employees, and the volume of products and services sold;
comparative analysis was applied to assess the correlation between the general and financial strategic goals of
the enterprise, as well as to identify financial metrics and indicators reflecting their achievement in order to
develop a strategic development plan;

the generalization method was employed to analyze and systematize the key areas of strategic management,
evaluate the effectiveness of competitive strategies and management objects, as well as to determine their
differences and interrelationships in the context of the successful functioning of the enterprise.

RESULTS

In today’s business environment, where competition is fierce and market conditions constantly change, strategic
management is becoming a key tool for achieving success and sustainability. One of the most important aspects
of strategic management is its impact on the company’s financial position. Strategic approaches to management
are becoming increasingly relevant as enterprises look for ways to optimize their financial resources and ensure
sustainable development in the face of unpredictability and change (Kobeleva et al., 2022; Nikonenko et al.,
2022).

Companies can manage and anticipate change and risks in a variety of ways. However, at the heart of any
successful strategy is the creation of a competitive advantage. It means that the company must be unique or at
least have some features that make it attractive to consumers or customers. This uniqueness can be based on
the quality of products or services, innovation, effective management, market position, or other factors. In
addition, efficient companies with strong finances and a stable revenue stream have a significant advantage over
their competitors, especially in challenging economic conditions. Therefore, it should be noted that
uninterrupted access to financial resources allows for development, expansion, and innovation (Cherhinets &
Primak, 2020; Tsimoshynska et al., 2021).

In this context, strategic management is the key tool for achieving competitive advantage. It is defined as the
process of choosing the best actions to achieve the long-term goals of the enterprise. It includes analysis of the
external and internal environment, elaboration of development strategies, allocation of resources, and definition
of tasks for various structural units of the enterprise (Furman et al., 2023). In addition, the strategy of a company
covers a large number of aspects of its activities, including its mission, values, culture, structure, processes,
resources, and interaction with the environment. Such a strategy is a tool for achieving the desired results and
is shaped by many factors, such as social, political, economic, technological, and cultural factors. It is also
important to note that an enterprise’s strategy should be flexible and adaptive to changes in the external
environment. Therefore, the strategic management process is an ongoing iterative process that requires constant
monitoring, analysis, and adjustment (Taran-Lala & Sukhoruk, 2021; Klochan et al., 2021).

For most Ukrainian enterprises, strategic management is not just the process of developing and implementing
a development strategy. It is also an in-depth analysis of current market conditions and the choice of optimal
ways to respond to changes in the market environment. One of the key challenges in this process is the
transition from operational management to strategic management. The latter implies shifting the center of
management attention to top management and the ability to respond quickly to new market conditions. For
this reason, it is essential not only to develop strategies but also to implement them correctly, taking into account
the specifics of the company and current trends (Ageeva & Vorona, 2023). For this purpose, many managers
use strategic planning, but it can be challenging for many, even experienced specialists. As markets are
constantly changing and customer needs are diverse, developing effective strategies becomes challenging. Being
successful and surviving in the market requires focusing on developing specific strategies that take into account
the current realities and future prospects of the enterprise (Zelenska, 2023; Zhuk et al., 2022).

The outbreak of a full-scale invasion and, as a result, martial law always had a significant impact on various
aspects of the country and its society. They caused shock reactions stemming from both the changes in the
institutional and legal framework that occurred under such circumstances and the main reason for the
introduction of martial law - external military aggression (Danyliuk et al., 2020; Hora et al., 2023). The latter led
to sudden transformations in various informal institutions that functioned during this period. War is highly
destabilizing for business, which is its most destructive factor. The general vulnerability of the economic sector,
The growth of government spending on military operations and defense, unpredictable financial and material losses, constant risks, and restrictions in international trade increase the gradual destabilization of each element of the economic system (Pominova, 2022).

In 2022, businesses in Ukraine suffered unprecedented direct losses due to the full-scale invasion, estimated at $13 billion. A significant portion of this amount, approximately $9 billion, was experienced by large and medium-sized enterprises. At least 109 large businesses have suffered direct losses: 19 were completely destroyed, and another 90 were partially damaged. Indirect losses of Ukraine’s business sector over the same period amounted to USD 33.1 billion. In addition, these indicators show the critical condition of entrepreneurship in Ukraine since there are very limited sources and resources to compensate for losses and restore operations. Small and medium-sized enterprises, especially those that focus on the local market, are extremely vulnerable to the processes that accompany the hostilities. Compared to large enterprises, they have limited financial reserves. According to a study conducted by the Association of Sustainable Development Experts, 95.3% of micro, small, and medium-sized companies are currently requiring financial support (Damaged In Ua, 2023).

Based on official statistics as of the end of 2022-2023, it can be noted that war conditions have not yet significantly affected the development of entrepreneurship. In particular, due to effective tactical measures, the number of registered business entities decreased by only 11.5% during the last year. In addition, the number of employees decreased by 16%, and the volume of products and services sold decreased by 24.6% (Figure 1) (Feyer et al., 2023).

![Figure 1](image-url)

**Figure 1:** Dynamics of the main indicators of business activity in Ukraine in 2019-2022

Source: Compiled by the author based on (Feyer, Haustova, & Husti, 2023)

It should be noted that the most significant decline is the reduction in the number of able-bodied persons. It was mainly caused by intensive external and internal migration, which poses severe challenges for strategic business planning in the future, both in the labor market and in planning effective demand. In addition, it is worth paying attention to other indicators of Ukraine’s economic development, in particular, the EBRD market research. According to this study, the main challenges for the survival and development of small businesses in times of war include a decline in demand or loss of traditional markets, lower labor productivity, a shrinking labor market, etc. (Figure 2) (Ohareva, 2023; Levytska et al., 2022).
Therefore, in the face of uncertainty and the prolonged impact of hostilities, companies face challenges that require competent strategic management to ensure sustainability and prosperity. In this context, the choice of development strategy becomes a vital task that determines the future of an enterprise and its financial situation. It should be noted that there are numerous factors that directly affect the choice of development strategy for an enterprise. These factors include changes in consumer tastes and preferences, technological innovations, competitive pressure, financing needs, monetary capabilities, the personal composition of the management team, government regulations, as well as social, political, and cultural conditions that expand or limit the company’s opportunities (Dergacheva et al., 2022; Atstaja et al., 2022). According to the development strategy, the main goal is to develop and implement specific actions to improve the financial performance of a company, taking into account existing and potential resource constraints. This includes the interconnection of the company’s general and financial strategic goals (Table 1). When the activities of a company show a downward trend, a survival strategy is adopted. This strategy may include eliminating unprofitable products, decreasing the number of employees, optimizing distribution channels, and finding new ways to utilize resources (Satyr, Kepko et al., 2021).

Therefore, each strategic goal of any enterprise is linked to its financial goals, which require specific actions and investments to achieve. For this reason, a successful enterprise development strategy should be aimed at achieving not only general strategic goals, but also take into account their financial aspect (Sumets et al., 2022a; Mironova et al., 2022). It is also important to note the significance of the correlation between strategic goals and economic performance, as well as the need to constantly monitor and adapt strategies in a changing environment.

Table 1: Interconnection of general and financial strategic goals of a company

<table>
<thead>
<tr>
<th>General strategic goals</th>
<th>Financial strategic goals</th>
<th>Financial benchmarks/indicators</th>
<th>Strategic development plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market share increase</td>
<td>Income growth</td>
<td>Volumes of sales, market share</td>
<td>Expansion of the distribution network, launch of marketing campaigns, improvement of product quality</td>
</tr>
<tr>
<td>Improvement of product quality</td>
<td>Dividends growth</td>
<td>Profit, dividends per share</td>
<td>Improvement of manufacturing processes, implementation of quality programs, investment in research and innovations</td>
</tr>
<tr>
<td>Lower expenses compared to competitors</td>
<td>Increased return on investment capital</td>
<td>Prices of goods, production costs</td>
<td>Optimization of logistics processes, production automation, revision of supplier contracts</td>
</tr>
<tr>
<td>Expansion of the product range and improvement of their attractiveness</td>
<td>Improved credit and bond ratings</td>
<td>Credit rating, rating of bonds</td>
<td>Introduction of new products, investment in marketing and branding, and improvement of service quality</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Stronger reputation among consumers</th>
<th>Increased cash flows</th>
<th>Net income, cash flows</th>
<th>Launch of social campaigns, customer support activities, and improvement of customer service and support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of service level (quality)</td>
<td>Increase in share prices</td>
<td>Share price, trading volume of shares</td>
<td>Staff training, investments in improving customer service and satisfaction</td>
</tr>
<tr>
<td>Expansion of the zone of applying innovations</td>
<td>Improvement and optimization of revenue structure and sources</td>
<td>Investment in research and development, innovations</td>
<td>Expansion of the R&amp;D department, the launch of innovative projects, cooperation with universities and research centers</td>
</tr>
</tbody>
</table>

Source: Compiled by the author based on (Varis et al., 2023; Bochko et al., 2018; Kobylyukh, 2023)

In addition, in order to succeed in the market, it is necessary to have a clear action plan based on an in-depth analysis of internal and external factors, as well as competitive advantages (Table 2). From this perspective, a qualitative argumentation of the application of certain enterprise strategies is vital for determining competitive advantage and strategic directions, maximizing the effectiveness of decisions, and adjusting to changes (Hrabchuk et al., 2022).

In addition, strategic management requires the identification of key areas for the future based on the set goals, rational allocation of resources to achieve strategic goals, creation of management centers for each strategic goal, and evaluation of the performance of production units and their managers in achieving strategic goals (Jiang et al., 2019; Kostiukevych et al., 2020). During the strategic management process, the main focus is on transformations in the organizational culture. It reflects certain features of the management process and the structure of the enterprise. Therefore, such transformations are essential components of strategic changes and are systemic in nature, as they affect the internal organization of the enterprise. However, at the level of organizational and formal structure, these transformations are mainly manifested in changes in organizational leadership (Dykan, 2023; Kalina et al., 2022).

The success of an enterprise is significantly influenced by the choice of an effective model of combined management strategies implemented under specific conditions (Hutsaliuk et al., 2020; Sumets et al., 2022b). Such conditions stipulate that competitive strategies should be autonomous and separate from each other. The choice of one strategy, even if it does not exclude others, should complicate their choice. In addition, the management of key assets requires their independence and separation from each other. The choice of one object should not affect the need to choose another, but all of them should be ready to be used in any competitive strategy. It is vital to ensure that competitive strategies and management objects are sufficiently different to allow for a clear recommendation of the choice of strategy and management object in a particular situation for a particular company (Ivko, 2023).

Table 2: Methods of justifying a company’s strategy

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Porter’s model</td>
<td>A model of competitive analysis that helps to determine the competitive advantages and strategic position of the company in the market</td>
</tr>
<tr>
<td>BCG matrix</td>
<td>This matrix is used for strategic analysis of the business portfolio and determination of strategic development directions</td>
</tr>
<tr>
<td>Ansoff matrix</td>
<td>A matrix that helps to evaluate possible strategic alternatives through market and product analysis</td>
</tr>
<tr>
<td>McKinsey method</td>
<td>This method is based on the analysis of internal and external factors to develop an enterprise strategy</td>
</tr>
<tr>
<td>LOTS method</td>
<td>A method used to analyze the factors influencing the strategy, including local, objective, technological, and social aspects</td>
</tr>
<tr>
<td>Economic and mathematical methods</td>
<td>Both methods are used for quantitative analysis of financial and economic aspects in strategic decision-making</td>
</tr>
<tr>
<td>SWOT-analysis</td>
<td>A method based on identifying the strengths, weaknesses, opportunities, and threats of an enterprise</td>
</tr>
<tr>
<td>PEST-analysis</td>
<td>It helps to assess the political, economic, social, and technological factors that affect the enterprise</td>
</tr>
<tr>
<td>SPACE-analysis</td>
<td>It can be used to assess the strategic capabilities and market position of an enterprise by evaluating internal and external factors</td>
</tr>
</tbody>
</table>

Source: Compiled by the author based on (Steblyuk & Volosova, 2023; Taranich et al., 2022; Cheverda, 2023; Ionisoi-Dotsenko, 2023)

Therefore, strategic management is an integral part of the successful functioning of an enterprise. It allows not only to develop and implement development strategies, but also to adapt to changes in the market environment. Moreover, the development and implementation of effective strategies require identifying development priorities, allocating resources, and evaluating a company’s performance (Ryabukha, 2023; Ladonko et al., 2023).
DISCUSSION

We agree with Polyatykina, L.I. (2023) on the importance of the direction of financial development strategy in influencing the efficiency of business entities. The identified directions are crucial for avoiding crises and increasing the competitiveness of the enterprise. These directions confirm the relevance of strategic financial planning for all business entities, especially in the context of current economic instability and the need to ensure the sustainability of agricultural enterprises. This approach involves analyzing the efficiency of processes and developing a set of measures in various management areas, including production and technical, organizational and legal, financial and economic, and socio-economic aspects.

We can partially agree with Boguslavsk, Bilous, and Dyak, (2023) regarding the effectiveness of applying various strategic approaches to crisis management. In particular, taking into account the specifics of the industry, market competition, the financial condition of the enterprise, and external factors are critical aspects for the successful resolution of potential crises. We also support the authors’ opinion on the need for cooperation between all levels of management and effective communication with stakeholders. Such cooperation helps to create a well-coordinated and cohesive team ready to respond to negative environmental influences and make informed management decisions. However, taking into account the individual characteristics of each enterprise and specific circumstances, there may be cases and conditions when it is essential to apply other, more innovative crisis management strategies that have yet to be described in this study.

At the same time, we can partially agree with the statement of Mykhaylova and Mykhaylov, (2023) about the effectiveness of different theoretical approaches to the formation of crisis management strategies aimed at creating conditions for the sustainable functioning of enterprises in the market. Identification of various approaches and goals of crisis management, such as prevention mechanisms, innovative ways out of the crisis, restoration of solvency, and financial stability, is really important for understanding its essence and further successful implementation. However, given the specifics of the educational sector, we believe that it is also necessary to focus on the specifics of financial management, strategic planning, and the importance of active communication with stakeholders.

We accept the opinion of Feyer, Haustova, and Husti, (2023) as their analysis of strategic management during military conflict reflects the importance of taking into account the turbulence and unpredictability of the military environment for business development. The definition of the essence and benefits of strategic management under such conditions, as well as the tasks specified by the authors, such as flexibility, adaptability, mobility, and responsiveness to changes, offer enterprises essential tools for successful survival and development. The analysis of trends in the development of entrepreneurship during the war and the systematization of problems and threats helps to understand the complex challenges companies face and provides valuable guidance on strategic and tactical directions for business development.

CONCLUSION

Strategic management affects the financial situation of a company through several key mechanisms. First, it helps to define strategic goals, which may be related to increasing profits, expanding markets, or optimizing costs. Second, strategic analysis helps to understand the external environment, including competitive conditions and risks that may affect the company’s financial performance. Based on this analysis, companies develop financial strategies to achieve strategic goals and determine the optimal allocation of financial resources.

In addition, strategic management involves the systematic analysis of financial indicators such as profit, asset turnover, liquidity, debt, and others. Continuous monitoring allows for adjustments to the strategy if necessary. If the financial results do not meet the company’s expectations or goals, a company can make changes to its strategies, such as changing priorities, revising the budget, reorienting investments, etc. Such a flexible approach allows the company to respond quickly to changes in the financial environment and maximize opportunities to ensure stability and success in the financial sector.
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