

# ECONOMIC SCIENCES

## ОСОБЛИВОСТІ УПРАВЛІННЯ ФУНКЦІОНАЛЬНИМИ СТРАТЕГІЯМИ В УМОВАХ ГІРНИЧО-ЗБАГАЧУВАЛЬНОГО ПІДПРИЄМСТВА

*Варава Л.М.,*

*Криворізький національний університет (Кривий Ріг, Україна),  
доктор економічних наук, професор*

*Варава А.А.,*

*Криворізький національний університет (Кривий Ріг, Україна),  
кандидат економічних наук, доцент*

*Марченко В.В.*

*Криворізький національний університет (Кривий Ріг, Україна),  
аспірант*

## DISTINCTIVE FEATURES OF MANAGING FUNCTIONAL STRATEGIES UNDER THE CONDITIONS OF AN ORE MINING AND PROCESSING COMPANY

*Varava L.,*

*Kryvyi Rih National University (Kryvyi Rih, Ukraine),  
Doctor of Economics, Professor*

*Varava A.,*

*Kryvyi Rih National University (Kryvyi Rih, Ukraine),  
PhD in Economics, Associate Professor*

*Marchenko V.*

*Kryvyi Rih National University (Kryvyi Rih, Ukraine)  
PhD student*

DOI: [10.24412/3162-2364-2021-63-3-15-20](https://doi.org/10.24412/3162-2364-2021-63-3-15-20)

### АНОТАЦІЯ

Визначено роль функціональних стратегій у підвищенні ефективності діяльності гірничо-збагачувальних комбінатів України. З урахуванням особливостей функціонування цих підприємств, специфіки їх продукції запропоновано концептуальну схему організаційної структури управління, що зорієнтована на формування системи відповідальності фактичних підрозділів чи дирекцій за ефективність розробки і реалізації функціональних стратегій. У системі відповідальності запропоновано різновиди функціональних стратегій щодо вирішення актуальних проблем підприємств. Охарактеризовано основні напрями розробки і реалізації сучасних функціональних стратегій гірничо-збагачувальних підприємств.

### ABSTRACT

The role of functional strategies in enhancing the efficiency of Ukrainian ore mining and processing plants has been determined. Taking into account the distinctive features of the functioning of those companies, the specifics of their products, a conceptual diagram of the organizational structure of their management has been proposed that is focused on forming a system of responsibility of actual divisions or directorates for the efficiency of the development and implementation of functional strategies. In the system of responsibility, varieties of functional strategies for solving current problems of companies have been proposed. The main areas of the development and implementation modern functional strategies for ore mining and processing companies have been described.

**Ключові слова:** функціональні стратегії, гірничо-збагачувальні підприємства, організаційна структура управління, система відповідальності.

**Keywords:** functional strategies, ore mining and processing companies, organizational structure of management, system of responsibility.

**Problem statement.** The efficiency of the implementation of strategic management in the activities of companies and organizations is determined by the quality of development and putting into practice of strategies of certain types and varieties. The long-term course of the company development that is implemented through strategies can have various reference points and shifting focus. The principal concept of the long-term activity is formulated in the general strategy, while the strategies of individual production areas are formulated in business (competitive) strategies. However, a significant role in the activities of any company and in

ensuring its competitiveness is played by functional areas, which include the following: production, marketing, finance, innovation, human resources, as well as social affairs. Strategies that are developed in those areas have the largest number of varieties and local reference points in accordance with the individual functional subsystems of corporate management.

Companies doing business in commodities have their own specifics, including when forming a "strategic set", in which it is necessary to pay more attention to distinctive features of managing functional strategies. Currently, there is no close relationship between the strategies of individual functional areas. In such

cases, the company is often unable to respond efficiently to changes in its environment and the growing variability of external factors. The above problems determine the focus of the present research.

**Analysis of the existing research papers.** Most scientists consider the issues related to the formation of functional strategies and their management more specifically for each area of corporate activities. That is, they examine separately production [1, 2], marketing [3, 4], financial [5, 6], innovation and investment [7] strategies, etc.

The role of a particular functional division of a company in achieving general strategic goals as regards various aspects is studied in papers [8, 9].

Summarizing the methodological and applied aspects of the formation and management of functional strategies at the present stage of corporate development, we find it necessary to emphasize the insufficiently comprehensive nature of research in this area. In our opinion, it is important to enhance the efficiency of implementing functional strategies in their mutual relationship and balance with the strategic goals set and the trends of the overall development of a particular company.

**The purpose of this research** is developing practical recommendations as regards the formation and enhancement of the efficiency of functional strategies, as well as their management under the conditions of an ore-mining and processing company.

**Presentation of the main research material.** Ore mining and processing plants (MPP) of Kryvyi Rih Ore Basin (Kryvbas) are the leading companies of the iron ore raw material complex of Ukraine having significant export potential. The impact of political macroeconomic factors since 2014 has significantly changed the strategic plan for the sale of iron ore products. In fact, domestic demand for raw materials has declined

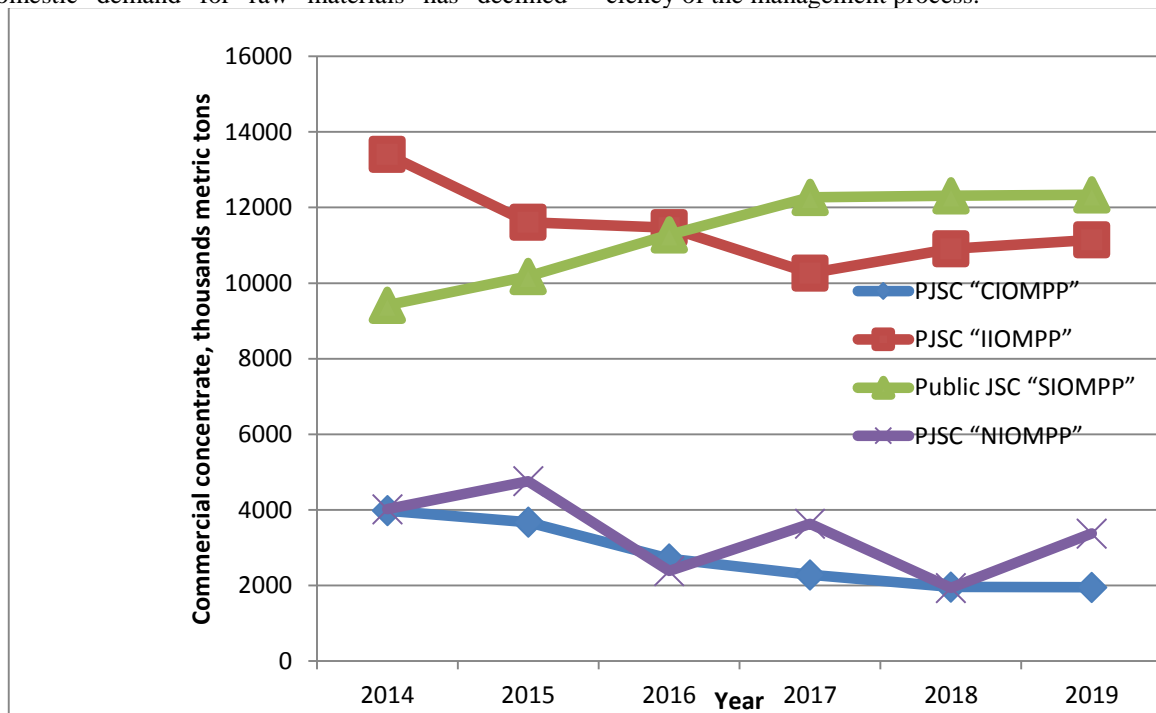
sharply in recent years. At present, the lion's share of the main commercial products, i.e. concentrate and pellets, is sold to the countries of Eastern Europe and China.

The competitiveness of Ukrainian iron ore concentrates in foreign markets is not high enough due to the lower level of their quality parameters compared to those of foreign competitors (Brazil, Australia, Sweden, and Canada). In order to raise their competitiveness, ore mining and processing companies need to strengthen activities in many functional areas through the implementation of respective strategies.

Despite the fact that functional strategies occupy the third level in the hierarchical structure (the first two levels are occupied by the general strategy and business (competitive) ones), the process of achieving strategic goals of the company development begins precisely with their implementation forming a certain "base" for future end results.

For a balanced formation of the "functional set", it is necessary to establish a system of responsibility for the development and implementation of those strategies, as well as to determine their main areas in relation to addressing existing problems.

An analysis of production volumes and profitability in recent years at the ore mining and processing plants (Fig. 1, 2) shows that output indicators fluctuated and tended to decline at some companies (Private Joint-Stock Company Central Iron Ore Mining and Processing Plant). Over the years, costs have been growing at almost all plants, which was caused by increased amounts for paying wages, purchasing material and technical resources, and covering other operating costs, which affects the profitability of commercial products (Fig. 2). This is due not only to the crisis phenomena in the economy, but also to the insufficient level of efficiency of the management process.



*PJSC «CIOMPP»*— Private Joint-Stock Company Central Iron Ore Mining and Processing Plant;  
*PJSC «IIOMPP»*— Private Joint-Stock Company Ingulets Iron Ore Mining and Processing Plant;  
*Public JSC «SIOMPP»*— Joint-Stock Company Southern Iron Ore Mining and Processing Plant;  
*PJSC «NIOMPP»*— Private Joint-Stock Company Northern Iron Ore Mining and Processing Plant

Fig. 1. Dynamics of the iron ore concentrate production at the ore mining and processing companies of Kryvbas

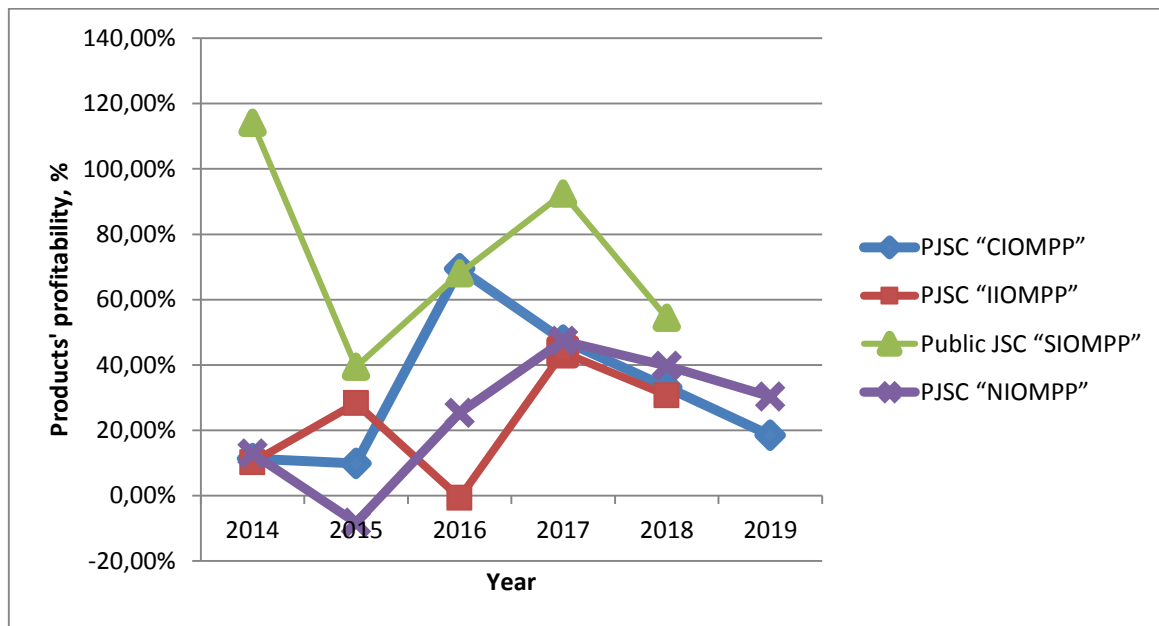


Fig. 2.

*Dynamics of the commercial products' profitability at the ore mining and processing companies of Kryvbas*

More often than not, the improvement in management processes at a company is aimed at implementing modern structural varieties within the basic linear-functional structure. Within its framework, subdivisions are created, as well as the relationships between them that are characteristic of modern structures of a strategic type (Fig. 3).

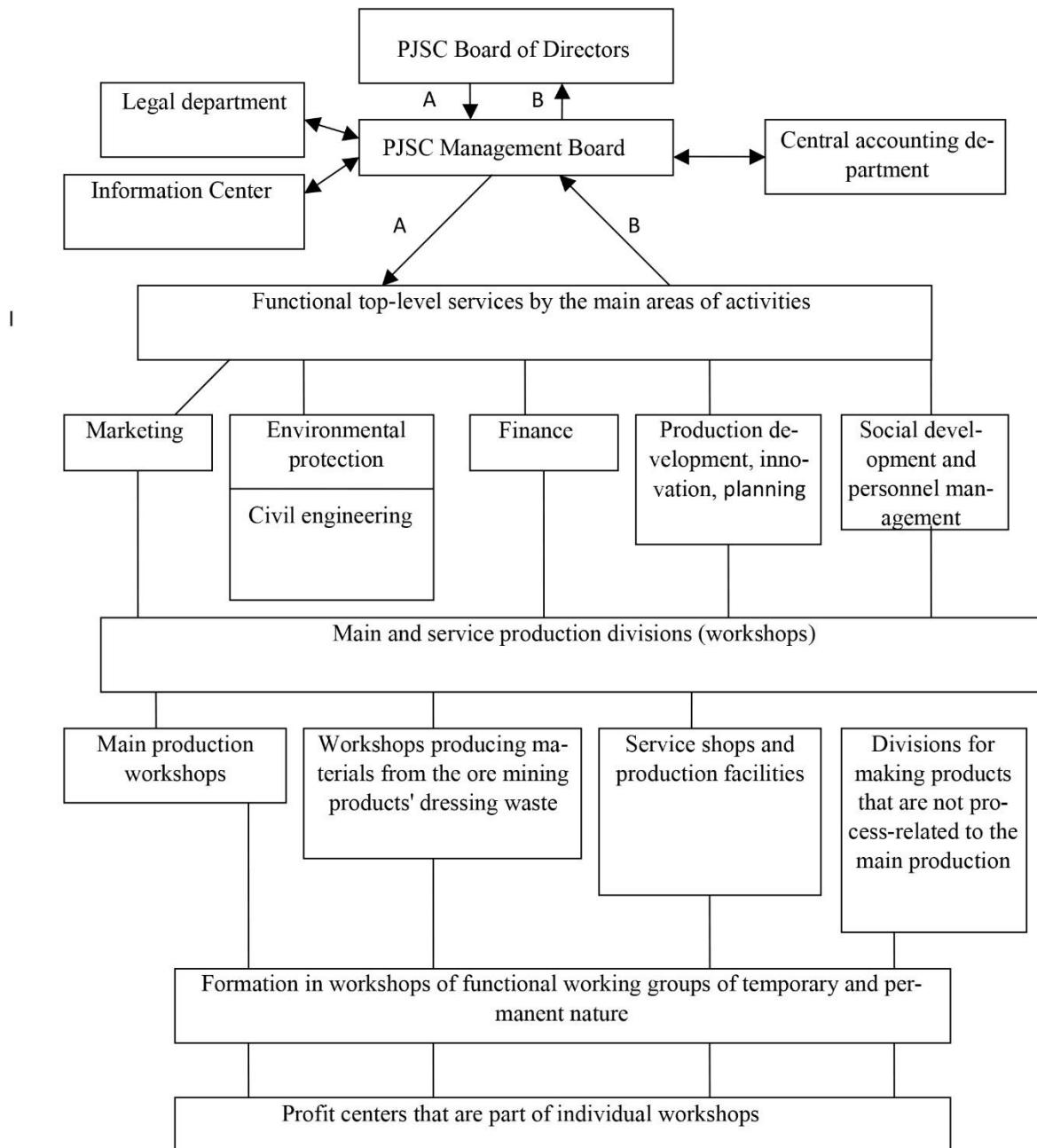
In fact, a combined model of the structure should be created with a linear-functional basis and new components that have modern functions and powers and address both strategic and current issues within the format of the present-day company development concept.

In order to achieve the goals and objectives set for a given strategic period in relation to certain areas, functional strategies are developed at the level of the above directorates (departments) that may be different in their content and focus, even within the same type (marketing, production, financial, human resources, etc.). Let us consider the formation of the main types of functional strategies within the actual directorates (departments) of the management structure (Table 1).

Obviously, a company cannot develop such a wide range of strategies for a limited period of time. Functional strategies are developed for the relevant divisions of the management structure on the basis of strategic goals established at the company. In order to achieve those goals, appropriate strategies are developed to address specific problems of the company in individual functional areas of its activity.

Under the present-day conditions, the following areas of marketing strategies are relevant for ore mining and processing plants: introduction of new advancement techniques to strengthen their competitive positions; sales of high-quality products at stable prices.

Production strategies are aimed at implementing measures for reconstruction, technical re-equipment of the main production divisions, and equipment modernization. In those areas and as far as optimizing production volumes is concerned, a production strategy is related to a marketing one.



*A - area of task formation;*

*B - area of task fulfilment.*

*Fig.3. Conceptual diagram of the organizational structure of ore mining and processing companies (formed by the authors on the basis of paper [10])*

The focus of innovation strategies involves the following: creation and improvement of technological processes; enhancement of product quality characteristics in order to raise the products' competitiveness in foreign markets; introduction of measures to reduce the cost of energy and material resources.

Personnel-related strategies are linked to improving the socio-psychological climate among the employees, perfecting personnel-incentivizing systems, as well as creating new systems for training and retraining the employees.

When developing and implementing functional strategies, it is important to ensure their interconnection

and coordination, which implies the formation of an appropriate system based on the responsibility for individual functions within the divisions of the organizational structure of the company management.

**Areas of further research.** The implementation of any functional strategy at a company involves the implementation of respective measures, projects and even programs to ensure the planned result within the strategies of higher levels of the hierarchy. To do this, it is necessary to determine deadlines for the implementation of the measures and the amounts of necessary investment funds evaluating their efficiency.

Table 1

Formation of a system of responsibility for the development and implementation of the main types of functional strategies in the organizational structure of management of ore mining and processing companies

Directorate (Department)	Top manager who heads the respective division	Type of functional strategy	Varieties of functional strategy
Department of Sales and Foreign Commercial Relations	Director General	Marketing strategy for foreign commercial activities	Market development strategy (expansion of market segmentation), strategy for preserving a part of the market, strategy of penetration into new foreign markets
Production Directorate	Production Director	Production strategy for enhancing the quality of commercial products	Strategy for planning production volumes by production process areas, strategy for organizing production processes, strategy for managing production costs
Engineering Directorate	Executive Director-Chief Engineer	Innovation strategy	Strategy for the implementation of innovative developments (projects) with a view to enhancing the efficiency of technological processes, strategy for improving organizational processes in production and management, strategy for improving production processes through developing and implementing innovative measures
Financial Directorate	Chief Financial Officer	Financial strategy	Capital structure optimization strategy, lending strategy, refinancing strategy, dividend use strategy, investment strategy, financial risk management strategy
Directorate of Security Risk Management	Director of Security	Risk management strategy	Economic security strategy, technological risk management strategy, macro- and micro-environment risk management strategy
Directorate of Human Resources	Human Resources Director	Human resources strategy	Strategy for improving the human resources of the company, strategy for stimulating the personnel performance, strategy for improving remuneration, strategy for human resources management
Directorate of Occupational Protection, Industrial Safety and Environmental Protection	Director of Occupational Safety and Environmental Protection	Environmental protection strategy	Strategy for implementing environment-friendly technological processes, environmental protection strategy, strategy for implementing environmental protection measures, occupational protection strategy
Procurement Directorate	Director of Procurement and Logistics	Marketing strategy	Procurement strategy for material and technical resources, strategy for relationships with foreign suppliers of material and technical resources, process equipment procurement strategy
Logistics Department	Director of Procurement and Logistics	Logistics strategy	Logistics links management strategy, logistics risk management strategy
Information Technology Service	Chief Specialist in Information Technology	Company information support strategy	Information flow management strategy, information management system improvement strategy
Directorate of Civil Engineering and Complete Overhauls	Director of Civil Engineering and Complete Overhauls	Production strategy	Strategy for technical re-equipment of production divisions, strategy for planning and conducting complete overhauls of the main process equipment, strategy for conducting complete overhauls of buildings and structures
Directorate of Social Amenities and Social Issues	Director of Social Amenities and Social Issues	Strategy for social amenities and social issues	Social responsibility strategy, community relations strategy, employee housing development strategy, employee social security and health strategy

In order to enhance the efficiency and balanced state of functional strategies of a company, it is advisable to take into account the synergy indicators and exercise strategic control over putting into practice of the goals planned during their implementation.

### References

1. Кузьмін О., Петришин Н. Технологія виробу виробничих стратегій для машинобудівних підприємств. Менеджмент та підприємництво в Україні: етапи становлення і проблеми розвитку : зб. наук. праць. 2009. № 647. С. 92-99.
2. Коленда Н.В. Виробнича стратегія підприємства: класифікація та види. Науковий вісник Міжнародного гуманітарного університету. 2017. Вип. 23-1. С. 103-107.
3. Ліганенко І.В. Маркетингова стратегія в управлінні розвитком підприємства за умови стратегічних змін. Ефективна економіка. 2014. № 9. URL: <http://www.economy.nayka.com.ua/?op=1&z=3370> (дата звернення: 28.01.2021).
4. Куденко Н.В. Маркетингові стратегії фірми: монографія. К.: КНЕУ, 2002. 245 с.
5. Сырбу А.Н., Немировская Е.А. Категория финансовой стратегии с позиции управления деятельностью предприятия. Экономический анализ: теория и практика. 2004. № 11. С. 55.
6. Семенов А.Г., Єрпухова О.О., Перехрест Т.В. та ін. Фінансова стратегія в управлінні підприємствами: монографія. Запоріжжя: КПУ, 2008. 188 с.
7. Наконечна О.С. Формування та реалізація інноваційно-інвестиційної стратегії стійкого розвитку підприємства. Економіка & держава. 2015. № 4. С. 48-51.
8. Курлыкова А.В. Разработка корпоративной стратегии на основе функциональных ориентиров компании. Вестник Оренбургского государственного университета. 2012. №8(144). С.43-47.
9. Оксамитный А.К. Моделирование функциональных стратегий предприятия. Вестник Оренбургского государственного университета. 2005. №1. С.127-129.
10. Варава Л.М., Арутюнян А.Р., Варава А.А. Стратегічні аспекти вдосконалення організаційної структури управління в умовах гірничодобувних підприємств. Маркетинг і менеджмент інновацій. № 4.2016. С.243-255

## ANALYTICAL SUPPORT OF CREDIT CAPACITY ASSESSMENT OF BUSINESS ENTITIES AND ITS IMPROVEMENT

*Tomchuk O.*

*Vinnitsia National Agrarian University,  
PhD in Economics, Professor, Ukraine*

DOI: [10.24412/3162-2364-2021-63-3-20-32](https://doi.org/10.24412/3162-2364-2021-63-3-20-32)

### ABSTRACT

The article examines the components of information support for assessing the credit capacity of the borrower. External sources of information for analytical support of the borrower's credit capacity assessment are identified and characterized. The algorithm for assessing the financial condition of the debtor – legal entity by the stages is clarified. Financial ratios are analyzed and the class of the debtor – legal entity PJSC “Dashkivtsi” is examined. Methodological bases of analytical support of credit capacity assessment of business entities taking into account off-balance sheet risks through coefficient analysis are offered, which has provided an opportunity to identify their impact on the liquidity and financial stability and increase the accuracy of determining the borrower class.

**Keywords:** analysis, credit capacity, information support, integrated indicator, borrower class, rating, methodological principles.

**Raising of problem.** In today's crisis, commercial banks are characterized by low lending activity, which is associated with a reduction in the capital as a result of increased costs for the formation of reserves and the need for additional recapitalization, increasing regulatory requirements for credit risk assessment, deteriorating payment discipline of borrowers. The growth of crisis phenomena in the banking system is partly due to the influence of macroeconomic factors and the deterioration of the economic and political situation in the country. This has led to a decrease in the quality of the loan portfolio of banking institutions and an increase in the level of problem loans, which requires the transformation of existing approaches to the formation of credit relations with borrowers and assessment of creditworthiness in the direction of reducing possible banking

risks. In modern conditions, the assessment of the borrower's creditworthiness is an important tool for the identification, analysis, and management of credit risks, which puts forward new requirements for the analytical mechanism of bank management.

**Analysis of researches and publications.** Problematic issues of the borrower were studied by leading foreign and domestic scientists: Y. Aleskerova, E. Altman, A. Beatty, V. Vitlinsky, L. Vdovenko, V. Gordopolov, D. Geley, A. Epifanov, I. Zamula, F. Sacher, T. Karlin, M. Krouhi, A. Krutova, O. Lavrushin, O. Oliynyk, O. Petruk, L. Primostka, M. Robert, P.S. Rose, M. Savluk, J. Sinki, O. Tereshchenko, O. Tomchuk, and others. However, despite the significant scientific achievements of scientists, the issues of assessing the borrower's creditworthiness remain unresolved, taking into account the off-balance-sheet risks that accompany