

## CONCEPTUAL APPROACHES TO DETERMINE THE ESSENCE AND STRUCTURE OF THE STRATEGIC POTENTIAL OF THE ORGANIZATION OF AGRO-INDUSTRIAL COMPLEX

A.I. Doschanova<sup>1\*</sup>, O.V. Mishulina<sup>2</sup>, N.A. Baranova<sup>3</sup>, G.K. Dambaulova<sup>4</sup>, N.S. Gorelova<sup>5</sup>

<sup>1</sup>Associate Professor of A. Baitursynov Kostanay State University, Ph.D. Econ., Kazakhstan

<sup>2</sup>Professor of A. Baitursynov Kostanay State University, Doctor of Economics, Kazakhstan

<sup>3,4</sup>Associate Professor of A. Baitursynov Kostanay State University, Ph.D. Econ., Kazakhstan

<sup>5</sup>Associate Professor of M. Dulatov Kostanay Engineering and Economic University, Ph.D. Econ., Kazakhstan

<sup>1\*</sup>[a.doschanova@mail.ru](mailto:a.doschanova@mail.ru), <sup>2</sup>[olga\\_mishulina@mail.ru](mailto:olga_mishulina@mail.ru), <sup>3</sup>[natalivalentina@mail.ru](mailto:natalivalentina@mail.ru), <sup>4</sup>[mira03@mail.ru](mailto:mira03@mail.ru), <sup>5</sup>[nata29091980@mail.ru](mailto:nata29091980@mail.ru)

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### Abstract

**Purpose of study:** The aim of the study is to systematize theoretical approaches to the consideration of the nature and structure of the strategic potential of the organization of the agro-industrial complex, since its effective management has a huge impact on the achievement of the organization's strategic goals of its development and the competitiveness of the organization as a whole.

**Methodology:** The theoretical and methodological basis of the study are the works of foreign and domestic economic scientists, who present approaches to the study of the strategic potential of the organization of the agro-industrial complex. General scientific methods, such as analysis and synthesis, induction and deduction, detailing and generalization, comparison, formalization, analogy, historical, logical and systematic approaches, were used as research tools in the present work.

**Main Findings:** The feasibility of applying an effective target approach to determine the essence of the organization's strategic potential has been determined. The definition of the strategic potential of the organization of the agro-industrial complex is formulated and its characteristics are determined. The necessity of using the resource-functional approach to determine the structure of the organization's strategic potential has been proved.

**Applications of this study:** The main provisions of the scientific article are the basis for solving practical problems of improving the management of the strategic potential of the organization of the agricultural and industrial complex and can be used directly by the head in making strategic management decisions that provide economically justified development of the organization in the future.

**Novelty/Originality of this study:** The scientific novelty of the study is to substantiate the theoretical provisions on the essence and structure of the strategic potential of the organization of the agro-industrial complex, aimed at solving the problems of improving strategic management in the agro-industrial complex to improve its efficiency and competitiveness.

**Keywords:** *Agro-industrial Complex, Strategic Potential, Efficiency, Sustainability, Competitiveness.*

### INTRODUCTION

The development of the agrarian sector of the economy in conditions of intense competition and globalization of markets causes the increase of the role of the strategic management of organizations in the agro-industrial complex. An important task of strategic management is the creation of tools to identify, evaluate, and analyze the potential of the organization and develop a system of strategic management on the basis of an assessment of its level of use.

Issues of effective management of the organization's strategic potential, i.e., its economic opportunities, can be used to achieve strategic goals, and are particularly relevant for modern enterprises since the size of the organization's strategic potential and its ability to expand have a huge impact on the organization's competitiveness.

### RESEARCH RESULTS

Today, there are various classifications of the organization's potential, among which strategic potential is of particular importance. However, in the scientific literature, there is still a debate about the nature and content of this economic category. Issues related to strategic potential arise from the resource theory of strategic management, following its founders: [Grant \(1991\)](#), [Ansoff \(1999\)](#), [Mintzberg \(2001\)](#), [Hamel and Prahalad \(2002\)](#).

Analysis of the existing opinions on the concept of “strategic potential of the organization” allows us to conclude that there are different approaches to the definition of its essence. In particular, the strategic potential of an organization is determined on the basis of three approaches: effective (resource), targeted, and productively targeted (Figure 1).

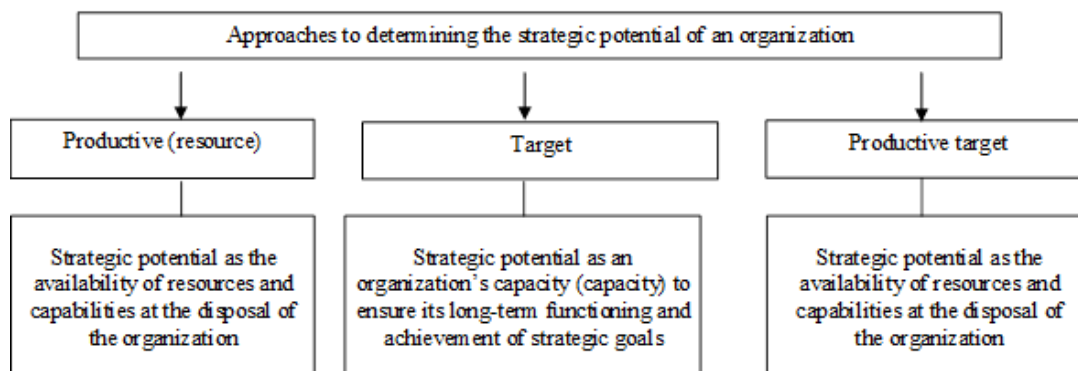


Figure 1. Approaches to determine the strategic potential of the organization

In the case of a purely productive approach, the organization is a complex of assets, burdened by obligations and nothing more. On the other hand, the target approach taken in an isolated form leads to the identification of the organization with the organizational and management structure and a set of management decisions to achieve a future strategic state without thinking about the attainment of existing and future resources.

The lack of an isolated application of the approaches is that since the organization is a socio-economic system, its potential should be the measure of its functioning and it turns out to be disassembled into components, sometimes outside the framework of the system approach. Nevertheless, the strategic potential should, in general, reflect the resources and abilities of the socio-economic system to ensure its own sustainable functioning and development in the external environment, because effective decisions are formulated on the basis of such quality in a tactical and strategic perspective.

In addition, a more detailed consideration of the constituent concepts, “resources” and “opportunities”, also come up against certain difficulties, since in different interpretations, “everything is a resource” and “everything is an opportunity”. The use of concepts such as “resource potential” is misleading to the demarcation of the composition of mentioned “forces and means” in the organization’s activities ([Valko, 2015](#)).

Many modern researchers combine both approaches while noting the controversial nature of the organization’s strategic potential. Thus, [Lagunova \(2007\)](#) understands the strategic potential of the enterprise resources and abilities that can be adapted to market needs with the help of existing competencies. This definition preserves both the resource component of the potential (capabilities as a resource) and the target component (meeting market needs through production activities). A different approach considers the strategic potential of an enterprise as the difference between the realizable and the prospectively possible ability to transform the totality of available resources into production factors for obtaining goods that best meet effective demands in the “society - state - region - producer” system. Moreover, it is emphasized that the value of strategic potential is measured by the degree of the organization's flexibility to use abilities and resources and respond to the disturbing effects of the macro environment ([Lagunova, 2007](#)).

Thus, the organization’s strategic potential should be understood as the level of providing the organization’s strategy with the necessary resources in terms of maximizing the performance. The necessary resources imply a combination of cash and prospective material and non-material resources and technologies that enable organizations to implement the strategy and make a reasonable choice of strategic alternatives in conditions of uncertainty, while maintaining the organization’s internally balanced and strategically sustainable development.

The strategic potential of the enterprise today is a complex combination of various factors and is formed only by those resources that are subject to changes, as a result of the implementation of strategic decisions ([Galchenko & Yakovleva, 2016](#)). According to some scientists, the study of strategic potential provides the following advantages to the organization ([Lukinyh, 2018](#)):

- First, the application of the apparatus of strategic potential gives rationality and consistency to the process of strategic planning;

- Second, it makes possible to evaluate a wider range of options for action and systematize the criteria for evaluating strategies;
- Third, the company's strategic potential development activities are based on an assessment of the internal environment factors of an enterprise. Focusing on strategic potential makes it possible to effectively implement the strategy;
- Fourth, the use of strategic potential terminology allows participants in the strategic process to develop the necessary competencies and skills;
- Fifth, the theory of strategic potential is one of the elements of an organization that binds different levels of management;
- Sixth, interest in the formation of strategic potential gives impetus to the development of the culture of the organization as a whole.

Each enterprise of the agricultural sector, as a market entity, should develop and implement its own strategy, combining planned and thought-out behavior, and the ability to adequately respond to changes in the external environment. Moreover, the need for the development strategy of the agricultural enterprise is primarily due to the need to improve the efficiency of its activities ([Baranova, 2017](#)).

The strategic potential of an agro-industrial complex organization is the sum of the material and intangible components that an object can realize in current conditions, using a market-oriented concept in managing the organization's strategic activities. There is also an opinion that the strategic potential is a set of reserves of the organization of the agro-industrial complex, its structure, and opportunities; defined as a strategic balance at a certain point in time plus an increase in potential (efficient business activities, obtaining additional opportunities, acquiring additional strategic connections) minus reducing potential (investment, research and development, strengthening marketing activities, unsuccessful business activities, the initial phase of corporate restructuring, weakening management systems).

Effective formation and use of the strategic potential of each AIC organization generally improves the efficiency and sustainability of the agricultural sector of the economy.

Problems of sustainable development of agricultural production are multifaceted and include various factors, namely, natural and logistical, economic, financial and social, development of scientific research, organizational and managerial factors ([Zhangirova, 2015](#)).

The success of agrarian reform is largely determined by the mobilization of domestic resources and the capabilities of each agricultural enterprise, the ability to correctly choose the strategic course of development, and the ability of the head of the enterprise to manage business risks in achieving the intended strategic goals ([Togzhigitova, 2016](#)). Enterprises of the agricultural sector need to solve the problem of adapting to possible changes in the external and internal environments for effective production ([Baranova, 2018](#)).

The following characteristics are characteristic of the strategic potential of an agro-industrial complex organization:

- Economic assessments of the components of strategic potential should be, if possible, market-fair and not balanced since the strategic potential is a relative characteristic, that is, it characterizes the organization taking into account the external environment and relations with other economic actors;
- Assets of the organization or other resources that do not provide management decisions and functional tasks are not resources as such and cannot be taken into account of the strategic potential of the organization. In other words, although the strategic potential of the organization includes cash and potential resources and reserves, they can in no way be taken into account in isolation from the abilities and capabilities they provide;
- Abilities and capabilities of the organization as components of the strategic potential should be determined according to the state of the competitive environment and taking into account the fulfillment of all necessary internal and external conditions. And above all, they cannot be taken into account in isolation from the goals, interests, overall strategies, and vectors of the organization. This is explained by the fact that the strategic potential of an organization, defined in the context of this strategy and given market conditions, can differ significantly from the strategic potential determined on the basis of another target, resource, or market prerequisites;

- The strategic potential of the organization is invariant, that is, it has relative immutability, stability, and repeatability after each reproduction cycle. This refers to the resource-independent (competence-based) part of the organization's strategic capabilities, renewed at a competitive level, and is therefore weakly dependent on the external (difficultly copied by competitors) and internal (level of resource support) environments.

According to [Chuikin \(2011\)](#), an essential feature of the strategic potential of the organization are the elements that are not routine, not formalized at the stage of development, and consequently, inseparable from their carriers, but necessary for the implementation of strategic elections, adoption, and implementation of strategic decisions.

Conducted research in the field of formation and use of the strategic potential of organizations of the agro-industrial complex revealed a number of contradictions not only in defining the concept of "strategic potential of the organization of the agro-industrial complex", but also the lack of consensus on the structure of the strategic potential and the content of its constituent elements. To some extent, the uncertainty in the approaches to determine the structure of an organization's strategic potential and the content of its constituent elements is a result of different researchers applying different research accents and the essence of the problems they identify.

The strategic potential of an organization is a complex structure consisting of both tangible and intangible elements, having both static and dynamic components depending on the time scale. Nevertheless, the structuring of the strategic potential according to these indicators does not make it possible to make functionally sound management decisions. Therefore, a number of researchers believe that from the point of view of analyzing and managing the strategic potential of an organization, it is advisable to single out its relatively permanent resource component, which, based on general considerations, can be called capital. In this case, the strategic potential of the organization consists of economic capital and a dynamic component of the potential.

There are other points of view on determining the structure of the organization's strategic potential. Hence, according to [Artamonov \(2014\)](#), the organization's strategic potential should include:

- Resource potential (labor, material, finance, information, natural and other resources);
- Adaptive capacity (reserves of the organization, effectiveness of the management system, marketing policy, corporate culture, external interaction, etc.).
- [Polyansky \(2013\)](#), calling the resource potential the core of the strategic potential, believes that the strategic potential of the organization should be a complex:
- Internal local potentials (material resources, material and technical, personnel, investment and financial, innovative, etc.) and non-material resources ("goodwill", licenses, patents, etc.);
- External local potentials (raw potential, the potential for changing demand, etc.).
- [Lagunova \(2007\)](#) defines the components of the strategic potential of the organization and highlights in its structure:
- Internal potential (a set of resources, competencies, and abilities);
- External potential (strategic response, reflecting the organization's overall ability to respond to the influence of the macroenvironment).
- According to [Suvorova and Repina \(2007\)](#), strategic potential can be defined as an estimated indicator that includes:
- Primary potential (actually developed volume of resources);
- Secondary potential (the possibility of expanding the volume of resources from external sources to achieve the goals of economic development).
- [Rezanov \(2001\)](#) proposes to include in the strategic potential:
- Internal potential;
- Sustainability of the enterprise to the influence of external factors.

Developing [Rezanov's point of view](#), [Dyuyzen \(2015\)](#) proposed to clarify the content of the elements that form the structure of the organization's strategic potential and to reflect it schematically (Figure 2).

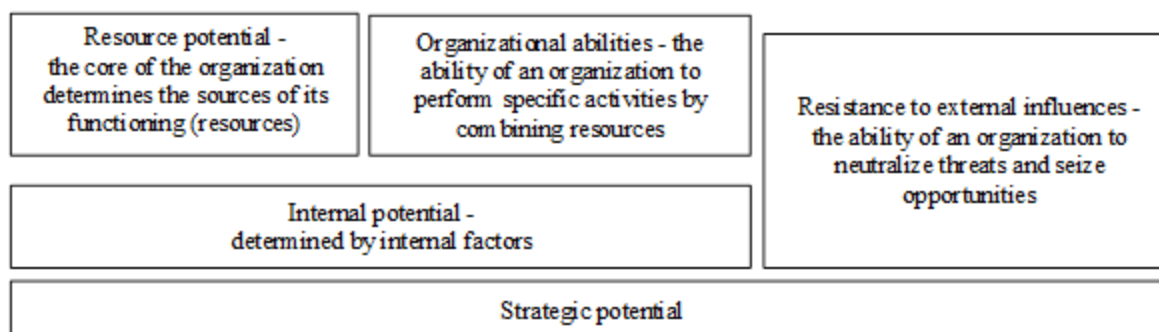


Figure 2. Structure of the strategic potential of the organization

The structure of the internal potential of the organization includes the resource potential and organizational skills. The organization's resources (financial, personnel, organizational, etc.) determining the sources of its functioning are the basis of the strategic potential. Organizational abilities are embodied in the organization's ability to perform specific production and other activities through the combination of resources. Resistance to external influence is an indicator to identify the organization's overall ability in responding to threats and opportunities. Negative stability is a signal that the organization is not able to neutralize threats and realize opportunities, that is, the managerial processes of production and other activities are not optimally organized. Positive sustainability demonstrates the literacy of the policy pursued in interacting with the subjects of the external environment.

According to [Plekhanov \(2009\)](#), marketing, production, economic, labor, innovation, and financial potentials are included in the strategic potential of the organization. At the same time, for example, financial potential is the planned level of financial results, solvency, and business activity.

[Sokolov \(2004\)](#) believes that the functional structure of the aggregate potential of the organization is determined by the structure of the production system and must be represented by two levels:

- The first level is the production potential, reflecting the possibilities of the organizational functioning in the direction of the goal, which includes natural, technological, technical, and organizational potentials;
- The second level is formed by the financial potential, i.e., the availability of financial capacity of the organization to invest funds in current activities and future development, increasing the productive capacity of the organization.

With this approach, the main efforts are directed to orient the functional units of the enterprise: production, personnel, management, finance, marketing, information support, etc. Each functional area is relatively independent and at the same time is a subsystem in which the internal potential is formed. The functional construction of an enterprise involves the allocation of technical potential (availability of a modern material base, creativity, and qualifications of specialists able to improve technological and production processes, ensure diversification of activities and product differentiation), and the potential for reproduction (in a strategic aspect - creating a flexible production system), also innovative (the capabilities of a company to develop and introduce innovations) are intellectual (education as a prerequisite for creativity, capabilities), and enterprise (business plans, ideas, plans) potentials.

Analysis of the presented points of view allows us to conclude that the main approaches to determine the structure of the organization's strategic potential, including the agrarian sector of the economy, it is possible to consider the functional resources (Table 1).

**Table 1:** Approaches to determining the structure of the strategic potential of the organization of the AIC

Approach	Essence	Disadvantages
Resource	Structuring of elements in accordance with the composition of strategic resources and the principles of their sharing	The size and quality of resources does not directly indicate whether the organization has the capabilities to achieve its goals, function successfully, and develop activities in their chosen field
Functional	Structuring of elements by functional character	The actual level of performance of functions is analyzed, but not the cumulative abilities and possibilities for their implementation.

However, most researchers agree that the most acceptable is a mixed approach to define the structure of the strategic potential of an agro-industrial complex organization, within which multi-criteria structuring of the elements of strategic



potential is assumed, i.e., a combination of resource criteria with any other. Based on the mixed (resource-functional) approach, it is necessary to identify the following main structural elements of the strategic potential:

- market potential;
- intellectual potential;
- production potential.

Market potential is the maximum opportunity to use all the best practices in the field of marketing and is an integral part of the strategic potential of the enterprise. It reflects the presence of real opportunities and abilities to track and promptly respond to various changes in the external and internal environment of the organization. Intellectual potential can be defined as the maximum opportunity for an organization to use the abilities of competent specialists. The continuous transformation of the external environment of modern companies, regardless of their location and size, is predetermined by the key question in the field of recent research, and the search for sustainable competitive advantages is based on the unique abilities of the organization. Realization of the production potential as quantitative and qualitative parameters of strategic production resources and determining the maximum capacity for the production of a product or service implies an increase in a competitive advantage, on the basis of the identification and development of resources and capabilities, rather than the constant search for free market niches.

## DISCUSSION

The existing polarity of opinions about the composition and structure of the organization's strategic potential in modern conditions, their focus on improving the functioning of organizations at any level leads to the conclusion that the concept under consideration is among those that are not clearly defined in management theory and stimulates research interest.

However, the analysis of the presented approaches allows us to state that the strategic potential is represented by internal potential (resources, competencies, organizational skills) that takes external factors into account and is aimed at ensuring the organization's resilience to external influences. This fully applies to the agro-industrial sector, since "the effectiveness of the functioning of any agrarian formation in the long term directly depends on the sustainability of its development, which is determined by the ability of the system to maintain the integrity and reproduce its properties with predictable fluctuations in external and internal business conditions".

The purpose of the strategic potential is to determine the ability of an agro-industrial complex organization to form and develop an internal potential that is adequate for external factors. Thus, the level of the organization's strategic potential is determined by:

- Composition and quality of the system of available resources;
- The degree of compliance of the resource potential with the strategic goals of the organization;
- The ability of the organization to effectively use the resource potential, which allows ensuring the sustainability of the economic system to the influence of the external environment and internal flexibility.

Depending on the state of the strategic potential, the management of the organization of the agro-industrial complex can reasonably make decisions on the directions of its internal and external development, since the effectiveness of the organization's activities largely depends on its potential. At the same time, the strategic development of the potential of the organization of the agro-industrial complex should be understood as the ability to increase its actual capabilities through the use of internal reserves and advantages of the external environment, leveling the influence of weaknesses and external threats.

It is important to take into account that the components of the strategic potential of the organization of the agro-industrial complex are in a complex relationship with each other, in which the increment of potential is achieved only with a balanced increase in the components, that is, a coherent development of the organization, and any imbalance does not reduce the level of best achieved potential. Moreover, it is necessary to strictly link the organization's capacity management system with the features, composition, and structure of the management object.

## CONCLUSIONS

The strategic potential of an agro-industrial complex organization is the sum of the material and intangible components that an object can realize in current conditions, using a market-oriented concept in managing the organization's strategic activities. Thus, the study of the strategic potential of the organization of the agro-industrial complex to increase the

efficiency of its use, the result of which is the efficiency, sustainability, and competitiveness of the enterprise, ultimately creates new opportunities for sustainable reproduction in agricultural production in general.

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