THE RELATIONSHIP BETWEEN THE GENERAL AND FINANCIAL STRATEGY OF THE ENTERPRISE

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Annotation: The article shows the relationship between general and financial strategic planning. The main aspects of the mutual influence of strategies are revealed. The necessity to consider the financial strategy as a tool for achieving the goals of general planning is formulated. The problems of achieving the planned financial result of innovative development within the framework of the implementation of the general strategy of the enterprise are outlined

Keywords: general strategy of the enterprise, financial strategy of the enterprise, business process, financial result, innovative development

Introduction: The fundamental task of strategic planning is to develop policy directions for the development of business processes controlled by the enterprise, to formulate (mission) on this basis, as well as to determine economic development indicators for the planned period (goals) that are the financial result of its activities based on the totality of controlled business processes.

Strategic planning provides a comprehensive justification for the problems or limitations of the implementation of business processes controlled by the enterprise, as well as the risks that the enterprise may face, determines actions to overcome them and/or minimize their impact, and develops a specific management action plan (strategy) to fulfill the mission of the enterprise and achieve the formulated goals and financial results..

At the same time, it should be noted that the ways to solve problems within the framework of strategic planning are not only minimizing various types of risks within the management function, but also creating new combinations of business process assets or implementing innovations that maximize financial results, which, according to J. Schumpeter [1], is a function of entrepreneurship and In his opinion, it is separate from the ownership and management of capital in any form.

At the same time, it is the business process under the control of the enterprise (or business unit) that is the basis for the reproduction of capital owned by the final beneficiaries (shareholders), including the transformation of the tangible form of capital into financial capital. In market conditions, not only own capital can participate

in the reproduction process, but also borrowed capital involved in the reproduction process, both on a short-term and long-term basis. At the same time, the presence of borrowed capital ensures, as part of the business process, an increase in the profitability of assets owned by the enterprise, despite the fact that capital is raised on terms of urgency, repayment and payment. The structure, volume, and cost of borrowed capital to ensure the reproduction process is determined by the financial strategy of the enterprise. Also, it is the financial strategy that determines the structure of capital and its value as a whole, including the optimal ratio of debt to equity. Based on this ratio and the cost of capital, both individually and collectively, the sources of capital attraction and investment directions are determined within the framework of the profitability indicators defined by the general strategy of business processes.

The information base for setting and solving financial control and planning tasks is financial reporting. It performs several functions, but its main significance in the context of enterprise management is the reflection of the results of previously made decisions by shareholders and management over a certain period of time. Conceptually, the process of capital reproduction in a business process can be represented graphically, taking into account the structure of the company's balance sheet.

Based on the definition of a financial strategy as a model of actions of the financial service, directors and shareholders to provide an organization and a group of companies with equity and borrowed capital at its optimal cost and moderate risks of attracting, on the one hand, and placing/investing/using capital in the most profitable and moderately risky business areas, on the other hand [2]. It can be concluded that the task of a financial strategy is to ensure, by managing financial resources, maximizing financial results.

The final, planned and determining the success of any commercial enterprise, the financial result, is a profit that ensures the well-being of the final beneficiaries (shareholders). A positive financial result, as well as its maximization, is achieved through effective management of two interrelated aspects.:

– firstly, the content of the controlled business process itself;

– secondly, the size, structure and cost of the capital attracted to ensure its functioning. The enterprise management strategy, in turn, implies two approaches to planning and evaluating the company's activities.:

– Organizational (or process) analysis that analyzes the organization of a business process, its algorithms, and its constituent processes.

– Financial (or economic efficiency), which evaluates the financial component of an activity, namely, economic efficiency, profitability, both of individual processes and of the entire enterprise.

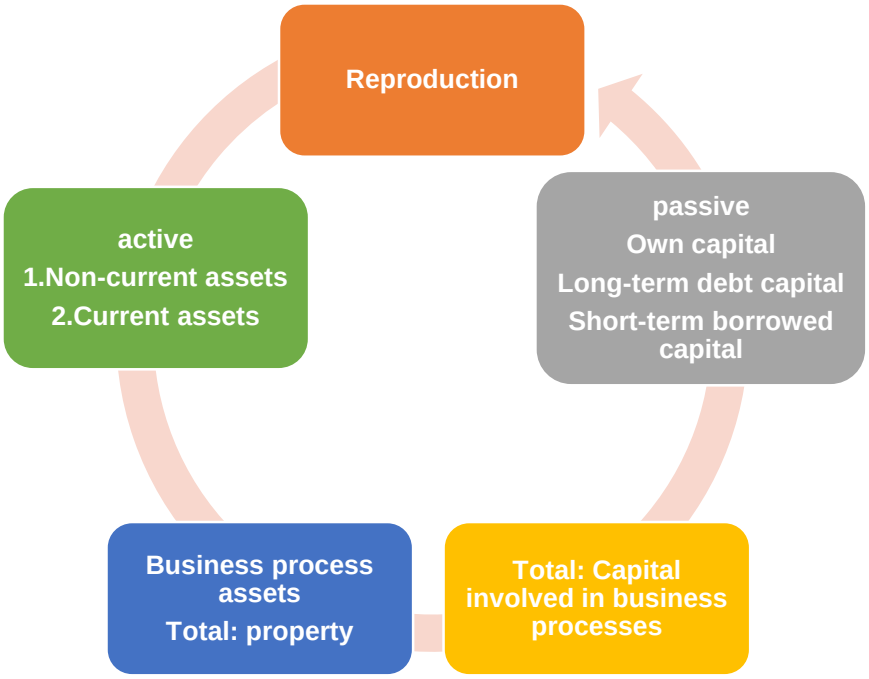

Chart.1. **Capital reproduction in the business process**

The general strategy of the enterprise, as a directive of the main areas of activity, contains not only the definition of the mission of the enterprise, but also ways to overcome the limitations and minimize the risks that exist and arise in the process of achieving the final result. Thus, the general strategy should define algorithms for managing business processes and thresholds for their profitability, as well as approaches to managing external and internal risks, including risk appetite. Ultimately, the main goal is to ensure the growth of the welfare of the final beneficiaries of the enterprise at an acceptable level of risk, taking into account their opportunities for alternative investment of capital to preserve and increase it. The general strategy formulates the direction of influence on the long-term financial result of the company's activities both through cost management, structure and size of capital, and through management of the organization of production processes. At the same time, there is a close relationship both with the internal structure of processes in the enterprise and with the processes of interaction with the external environment. In other words, the implementation of the general strategy is carried out through a process approach to all areas of business processes or their totality controlled by the enterprise. The market economy identifies two key criteria that determine the success of an enterprise's general development strategy.:

1. capitalization growth;
2. Sustainable profit generation.

Both of these points ensure the well–being of the final beneficiaries of the enterprise and include such policy directions as:

- market goals, such as: securing a market niche, stimulating demand for reproduction results (ensuring the transformation of the material form of capital into financial capital). This, in turn, ensures sustainable profit generation.;

– financial goals — optimizing the capital structure, minimizing total costs, maximizing profits;

– production goals — profitability of production, cost reduction, product line diversification, re-equipment aimed at generating profit and capitalization growth;

– social goals — the involvement of employees in the management of the production process and its optimization. Maintaining staff qualifications and controlling staff turnover. There is also an environmental policy aimed at improving the company's image and attractiveness to potential investors, aimed at achieving both criteria: capitalization growth and sustainable profit generation.

The successful functioning of business processes, their duration, the composition of the costs of their implementation, including risk management related to the company's activities and its development, are a crucial component in the formation of financial results. Undoubtedly, from the point of view of enterprise management, practice has developed both methods for analyzing the organization of processes, and tools for overcoming constraints, as well as minimizing risks.

It is easy to assume that the business process has very clear limitations in the implementation process, because the process cannot last indefinitely, financing cannot be unlimited, and the quality of work performed within the business process must be determined by the end user.

Thus, the main constraints in the framework of business process management and the main tasks are formulated.:

– time

– capital (budget)

– quality of work

Understanding the business process management process implies the main task, namely: "To ensure that the work is completed on time, within the allocated funds, in accordance with the technical capabilities and terms of reference." The practice of business process management has developed methods and tools that allow you to stay within existing constraints. They are also an auxiliary material for monitoring the progress of the business process, in order to achieve the necessary economic efficiency of the processes. The correlation of business process constraints and applied methods of overcoming them can be presented in Table 1.

Table 1

Practical methods for overcoming business process constraints

Limitations	Coping methods

Time limits	Methods of construction and control of work schedules (schedules)
Financial constraints	Methods of forming a financial plan (budget) and tracking it The methodology of the mastered volume
Resource constraints	The responsibility matrix Resource loading diagrams

Such approaches to process management are widely known, such as PMBOK (Project Management Body of Knowledge), developed by the Project Management Institute (PMI), a worldwide non—profit professional project management organization. The body of knowledge describes the essence of project management processes in terms of integration between processes and interactions between them, as well as the goals they serve [2].

It should also be noted the ISO standard "Risk Management — Principles and Guidelines", which establishes the fundamental principles and processes in the field of risk management that are applicable to any type of organization in the private or public sector.

He does not prescribe a one-size-fits-all approach, but emphasizes the fact that risk management must adapt to the specific needs and structure of a particular organization.

It is the financial approach to planning and evaluating the company's activities that indicates the existence of the closest relationship between the financial and general development strategies of the company.

The relationship between the general and financial strategy, in other words, the process and financial approaches are clearly shown by the indicators:

1.Factors that include in their basic internal structure are directly or indirectly dependent on the quality of the organization of the process, which can be grouped into a table, namely:

Table 2

The relationship between financial indicators and process organization factors

Factors	Indicators
Depending on the duration of business processes, indicating the quality and level of their organization.	The payback period of the project (PBP). Internal rate of return (IRR). Net present value (NPV). Leverage Effects*: Operational (production) leverage (DOL). the coupled lever effect (DCL).
Depending on the technical capabilities/performance of	Return on fixed assets (ROFA).

the equipment involved in the reproduction process.	The coefficient of basic profitability of assets (Basic earning power, BEP). Asset turnover ratio (ROA). Return on assets (ROA). Return on sales (ROS).
Depending on qualifications and/or labor productivity	Staff profitability (ROL) Return on Sales (ROS)

* DFL reflects an increase in return on assets due to the use of borrowed funds in the business process, despite their payment; DOL, showing that a change in sales revenue affects a change in profit; DCL, showing the interrelated effect of operational and financial levers.

**(ROS) The return on sales may depend both on the qualifications of the personnel involved in the sales process and on the capabilities of the equipment involved in this process.

2. Financial sector factors that include in their basic internal structure, affecting the amount of capital increment remaining at the disposal of the final beneficiaries of the enterprise, namely:

Table 3

The relationship between financial indicators and factors influencing the size of capital gains in the financial sector

Factors	Indicators
Depending on the market value of borrowed capital, the Central Bank's key rate and interest rates on bank loans, and the country risks of raising/placing capital.	Weighted average cost of capital (WACC), including the cost of equity RE, calculated by CAPM Discounted Payback Period (DPBP) Leverage effects: financial leverage (DFL), operational (production) leverage (DOL), Conjugate leverage effect (DCL)
Depending on the stock market situation.	Economic Value Added (EVA), as well as its alternative (MVA) or Market Value Added*.
Depending on the cost composition of the business process	Net present value (NPV) Profitability Index (PI) Internal Rate of return (IRR) Earnings before interest, taxes, and depreciation (EBITDA)

*If EVA shows the success of work from the perspective of analyzing the past, then MVA shows the position in the future. The relationship between MVA and EVA is

that, theoretically, MVA is the sum of all current values expected in future EVAs. In this case, the discount rate is WACC.

At the same time, from the standpoint of financial strategy, there is also a dependence on the possibility of raising capital and the ability of the company and its ultimate beneficiaries (shareholders) to use appropriate financial instruments. It is the possibility of attracting capital for the time periods appropriate to the needs of business processes, defined as the duration of the working capital turnover period, as well as the duration of the investment phase of the project, that determine the integration and maintenance by the financial strategy of the opportunities to achieve the objectives and goals set by the general strategy.

It should be noted that the company's performance is significantly informative, based on the return on equity (ROE) indicator, calculated, for example, using the DuPont factor model. However, return on equity may include an increment resulting from the leverage effect (DFL), as well as dependence on the weighted average cost of capital (WACC), the optimization of which, by reducing the cost of borrowed capital, improves the financial result for the final beneficiaries, as well as increases the amount of economic value added, which generally indicates a significant relationship. both with the process and with the financial component of the company's activities.

The relationship can also be traced, including when comparing indicators of the cost of capital with indicators of return on assets (ROA) with the internal rate of return (IRR). The analysis of the relationship between the general and financial strategy based on financial and process approaches allows us to conclude about their mutual influence and mutual impact on the financial result. At the same time, it adds the need to take into account innovative development, which makes it possible to maintain and expand positions and a niche in the market, ensure cost minimization, product diversification and re-equipment of production, as well as the environmental friendliness of business processes, which fundamentally complies with the general planning directive.

The existing realities of the market economy, despite the prospects for innovative development, from the standpoint of capital reproduction in the business process form both a positive impact on the financial result and have a certain negative side. Innovative development, as the adaptation of scientific achievements to business, is fraught with risks and consequences inherent in scientific and technological progress (STP). STP can be classified as: labor-saving; energy-saving and capital-saving. In other words, there is a fundamental understanding of the existence of technological, resource, economic and social effects as effects of innovative development based on scientific and technological progress. Thus, a technological effect indicates the advancement of technology to a new level, a resource effect indicates a change or reduction in resource consumption in the business process, an economic effect indicates an economic effect that is determined by the growth of profits and well—

being of the final beneficiaries of the enterprise, and a social effect that has a direct relationship with the goals of the general strategy, including the loyalty of potential investors.

At the same time, it should be noted that the achievements of scientific and technological progress can manifest themselves as labor-saving and/or energy-saving, but at the same time capital-intensive, depending on the conjuncture of the market of natural resources, labor and capital.

The American scientist Edward Denison [3], who studied issues of economic growth, estimated the "contribution" of scientific and technological progress to production growth of 42%, the share of capital investments of about 27%, and the impact of changes in the quality of labor (level of knowledge, skills) of slightly more than 20% of production growth, growth factors In his opinion, the costs associated with the scale of production and the allocation of limited resources amount to about 13% each" [4]. At the same time, it is obvious that the influence of risk factors such as legislative restrictions, political tensions, environmental risk and various bureaucratic obstacles, including necessary reporting, can reduce the potential impact of innovations on productivity growth and financial results of their implementation. The need to use insurance as a tool to minimize the risks of innovative development, additional costs of promoting innovative products and services on the market, etc. may also have a significant impact. At the same time, the understanding of the possible absence of capital gains as a result of the achievements of scientific and technological progress is called the "concept of neutrality". Thus, technological progress can be called neutral if it does not change the ratio of values of certain parameters in the business process, as a process of capital reproduction, that is, the cost of resources, production assets, labor and capital.

Conclusion: It is at the point of innovative development in the key of production re-equipment within the framework of the general strategy and its relationship with the financial strategy that a positive financial result may not be achieved during the period of adaptation of innovations to the business process, despite long-term planning. It is worth noting here that such concerns are primarily caused by the interest in re-equipping production, whereas currently the optimization of business processes through innovation has reached the level of transformation of processes to ensure and stimulate effective demand. This, together with the financial strategy, should offset the financial results of individual stages of the business process and ensure a positive effect of the relationship between financial and general strategy.

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