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# **Problems of Strategic Management Formation in Russian Agrarian Sector**

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# Problems of Strategic Management Formation in Russian Agrarian Sector

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**Abstract - The rapid changes in Russian agriculture during the last fifteen years require development of particular strategies for efficient farm management. The West-European approaches of strategic management and planning decisions are not directly applicable in the Russian agricultural economy; Russian large and medium-sized agricultural enterprises act on different organisational principles, due to the specific peculiarities of their business mentality.**

**The objective of the research is to adopt modern strategic management concepts to the peculiarities of Russian agriculture and to work out proposals on formation of strategic planning system in agricultural production. To this end it is necessary to define the strategic planning features which take into account the nature of modern stage of the development of Russian economy and the specific character of agricultural production; to indicate the preconditions which promote the wide implementation of strategic planning into economic practice; to establish the features of the concept of strategic planning for agricultural enterprises and to elaborate a methodical set of instructions providing formalized character to strategic planning.**

**Applying the methodologies of monographic research and expert interviews, we conducted the analysis of peculiarities and problems of Russian agricultural production, revealed and systematized the features of development of strategy for agricultural enterprises.**

**Based on the results of our investigation we developed strategic development models for the agricultural enterprises of Stavropol region applying the approach of Strength /Neutral / Weakness (SNW) analysis of the methodology of comparative advantage. The usefulness and empirical value of the developed models have been approved on the example of "LUCH" agricultural enterprise, which is the first in the region according to effectiveness indicators and the fourth according to its relative size.**

## I. INTRODUCTION

Changes in the Russian economy have taken place at a rapid rate in the last fifteen years, which predetermines upsurge in interest in strategic management. This approach is acknowledged in developed countries and is used in elaboration

and making management decisions in conditions of dynamic, changing and uncertain environment. It is especially urgent for the agrarian sector of economy. Without the elaboration of scientifically based strategy it is impossible to overcome the protracted crisis in agricultural production and provide the necessary development of agricultural enterprises of different sizes.

## II. PROBLEM STATEMENT

Literature review evidences that there is rich world experience in the field of farm management and strategic planning research. However the practical use of accumulated international expertise for elaboration of strategic plans for Russian agriculture is hampered, because Russian large and medium-sized agricultural enterprises act on different organisational principles, due to peculiarities of their business mentality.

## III. RESEARCH OBJECTIVES

The objective of the research is to adopt modern strategic management concepts to the peculiarities of Russian agriculture and to work out proposals on formation of strategic planning system in agricultural production.

The following specific objectives are addressed:

- to define the strategic planning features which take into account the nature of modern stage of the development of Russian economy and the specific character of agricultural production;
- to indicate the preconditions which promote the wide implementation of strategic planning into economic practice;
- to establish the features of the concept of strategic planning for agricultural enterprises and
- to elaborate a methodical set of instructions providing formalized character to strategic planning.

## IV. METHODOLOGY

Methods of monographic research and expert interviews have been used in this work. The results of interviews have been processed using the grouping approach with the help of statistical package SPSS 10.0.

The development of strategic development models for the agricultural enterprises of Stavropol region has been performed based on the methodology of comparative advantage analysis, using the Strength/Neutral/Weakness (SNW) analysis.

## V. EMPIRICAL ANALYSIS AND INTERPRETATION OF RESULTS

The analysis of peculiarities and problems of Russian agricultural production revealed and systematized the features of development of strategy for agricultural enterprises (Table 1). To estimate the conditions of strategic planning process expert interviews with specialists from 331 farms of the Stavropol region have been conducted.

In spite of the fact that 64% of respondents point out the unpredictability of the situation as an obstacle for large-scale planning, there are specialists who understand that agricultural enterprises need clearly designated development perspective. More than 44% of respondents consider that every farm needs a strategic development plan. The 14% mention that strategy development would be very useful, but managers and specialists are not prepared yet to deal with it because of the lack of special knowledge and time. Only 15% of respondents are of the opinion that strategy elaboration is a hopeless wasted time.

Creation of standard methods is a powerful mechanism for spreading new forms and methods of management. Thus to ensure practical opportunities of mastering the methods of strategic planning we formed special methodological pack (Figure 1), presenting substantiated expedient use of each of the methods offered. We also elaborated forms, adopted to the peculiarities of agricultural production and to the mentality of managers working in agriculture.

The offered methodological pack has been tested in several farms of the Stavropol region, which resulted in strategic development models and separate elements of strategic planning, established for these enterprises.

## VI. CONCLUSIONS AND RECOMMENDATIONS

In many countries where the classical theory is being applied the strategic planning started from formalized methods, while in Russia the reverse process is taking place. Our assessment confirmed the hypothesis that the principles formed by the classical theory of strategic planning need to be adapted to the Russian conditions.

Strategic planning, as a rather complicated innovative instrument of agricultural enterprises' management, needs support system in the field of analysis and forecast of external environment, availability and access of market information, research of latent and formal strategies and also determination of key success factors. The practical applicability aspect of the results of our assessment is the prepared strategic development models and their corresponding guidelines for agricultural enterprises in Stavropol region, based on the approach of comparative advantage analysis.

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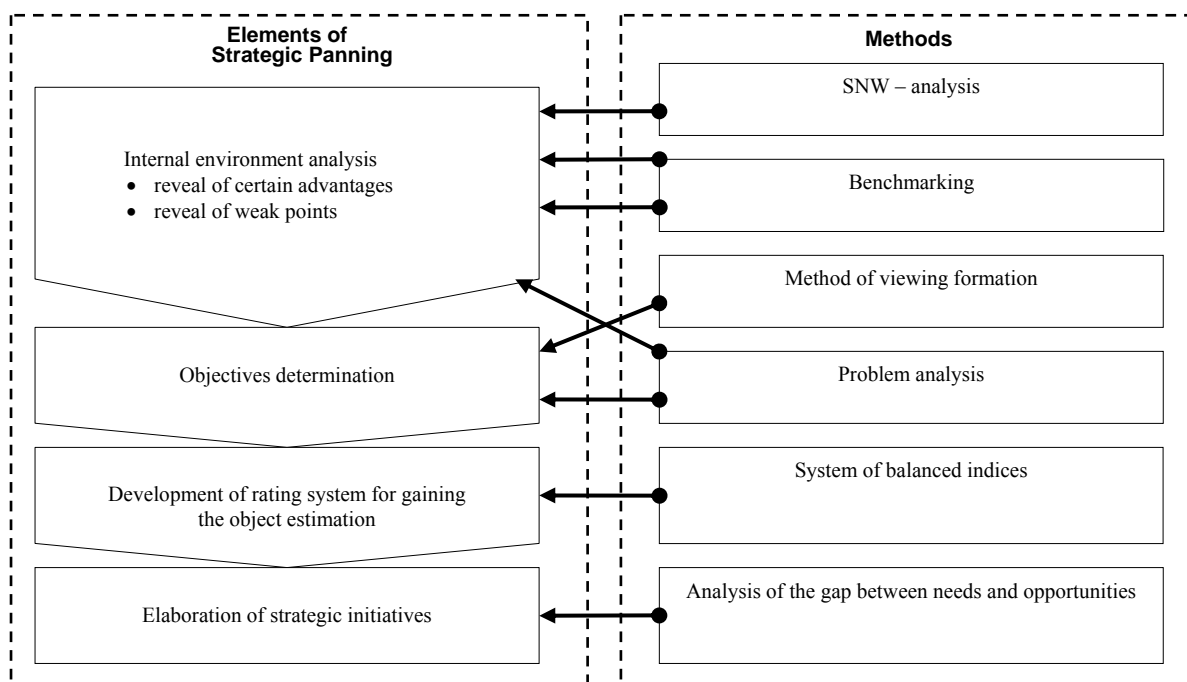


Fig. 1-Scheme of methodical pack for elaboration development strategy of an agricultural enterprise.

Table 1 Systematization of strategic planning peculiarities in agricultural production

Russian agricultural production features	Problems	Reflection in strategic planning
Natural factors influence, increased production risk	Less close connection between inputs and results	Increased flexibility of strategic plan, connection with zonal systems of farming
Specific regularities of optimal branches combination	Restricted possibilities of concentration and diversification	Special set of strategic alternatives
Existence of goods producers of different forms of property, management, operation scale	Differences in productive, economic, organizational, social-psychological conditions of their functioning	Differentiation of approaches to strategic planning for commodity producers of different types, consideration of different sectors intercommunication
Existence of different disproportions and their aggravation during the years of reforms	Insufficient investment attractiveness, need in state regulation and support	Formation of strategic planning system of agricultural production as cluster multilevel phenomena
Relative analogy of external environment for the enterprises of the same natural-economic zone	Difficulty of searching for unique strategic differences	Special demands for analysis of internal enterprise environment, consultants help in the analysis of external environment
Specific market relationship	High competitiveness, restricted opportunities of influence the demand, etc.	Strategy priority of advantage in costs, lowering the role of marketing strategy
High level of social responsibility to local population	Insufficiency of orientation only on economic indices of development	Elaboration of separate functional strategy of social development, wide use of social indicators
Special social and psychological way of life among rural population	High distrust threshold and insufficient willingness to take new things	Consultants help, explaining the perspective of strategic approach, information, motivation