METHODS FOR EVALUATING THE STRATEGIC POTENTIAL OF A COMPANY
Gavrilova K.G. (Republic of Kazakhstan)

Gavrilova Karina Gennadievna – Listener,
PROGRAM: MASTER OF BUSINESS ADMINISTRATION "BUSINESS ADMINISTRATION",
EDUCATIONAL INSTITUTION ALMATY MANAGEMENT UNIVERSITY,
ALMATY, REPUBLIC OF KAZAKHSTAN

Abstract: *the article analyzes methods for diagnosing a company's strategic potential. Evaluation of strategic potential is seen as an analysis of the state of affairs in the organization, and, as the state of the external environment in which it operates. Diagnostic methods are presented as a basis for decision-making on the choice of a strategy.*
Keywords: *analysis, diagnostics, competitive advantage, strategy, strategic potential, resources, opportunities, trends.*

МЕТОДЫ ОЦЕНКИ СТРАТЕГИЧЕСКОГО ПОТЕНЦИАЛА КОМПАНИИ
Гаврилова К.Г. (Республика Казахстан)

Гаврилова Карина Геннадьевна – слушатель,
Программа: магистр делового администрирования "Управление бизнесом",
Учреждение образования
Алматы Менеджмент университет,
г. Алматы, Республика Казахстан

Аннотация: *в статье анализируются методы диагностики стратегического потенциала компании. Оценка стратегического потенциала рассматривается как анализ положения дел в организации и как состояние внешней среды, в которой она осуществляет деятельность. Методы диагностики представлены как основа для принятия решений по выбору стратегии.*
Ключевые слова: *анализ, диагностика, конкурентное преимущество, стратегия, стратегический потенциал, ресурсы, возможности, тренды.*

Executives, regardless of the scale of their operations, execute management in an ever-changing global marketplace. Accordingly, to build an organization capable of quickly adapting to the realities, while building a sustainable, profitable business requires the development of a strategy. Strategy is a concept for achieving the long-term goal of the company, creating conditions for the consistency of decisions and actions at different levels. Well-known representatives in the business literature provide the following definitions of strategy: "Strategy can be defined as the establishment of the main long-term goals and objectives of the enterprise and the development of a program of action and resource allocation necessary to achieve these goals" [1]. "Developing a competitive strategy is essentially about finding a clear statement of how an enterprise will compete, what its goals should be, and what means and actions will be needed to achieve those goals" [2].

The choice and formation of a successful strategy contributes to the definition of the strategic potential of the company. The strategic potential should be understood as the correspondence of the company's capabilities, which are chosen to translate them into a goal, within the developed strategy, with the provision of these capabilities with the necessary resources. Two methods are applicable for evaluating strategic potential: VRIO and SWOT.

The VRIO analysis method was developed by J. Barney [3]. Using VRIO, management gets the answer to 4 questions, which focus on the following:

V – Value. Whether the company, having the resources and capabilities, is able to use the available external opportunities and mitigate or disarm threats. If the selected resource is an opportunity or neutralizes a threat, then it is considered a strength. Accordingly, from the opposite point of view, if none of these indicators is available, the resource will be considered as a weak side of the business.

R – Rareness. How many competing organizations control a unique resource that, when maintained over time, provides a permanent competitive advantage. Conversely, if there is no resource rareness or permanence, the advantage will be temporary. Longevity as a separate element was singled out by R. Grant in his work *Modern Strategic Analysis* when comparing his approach to resource evaluation with that of J. Barney [4].

I – Imitability. What barriers exist for companies that don't own the necessary resource to acquire it and how expensive it is for them. To maintain a competitive advantage, executives need to work on the individuality of services, products.

O – Organization. Whether the system in the company is properly formed for the effective use of its available resources and the realization of its strategic potential.

The results of the VRIO analysis performed in the company are evaluated based on the compliance of the resource with the selected criteria, which is shown in Table 1 – Results of the VRIO analysis.

Table 1. Results of the VRIO analysis

Criteria/ Questions	**Resources and Opportunities**			**Result**
	X1 (Financial)	X2 (Human)	X3 (Tangible/ Intangible)	
1. Valuable	1. No	1. No	1. No	Competitive weakness
1. Valuable 2. Rare	1. Yes 2. No	1. Yes 2. No	1. Yes 2. No	Competitive parity
1. Valuable 2. Rare 3. Imitation costs	1. Yes 2. Yes 3. No	1. Yes 2. Yes 3. No	1. Yes 2. Yes 3. No	Temporary competitive advantage
1. Valuable 2. Rare 3. Imitation costs 4. Is the company able to maintain resource characteristics	1. Yes 2. Yes 3. Yes 4. No	1. Yes 2. Yes 3. Yes 4. No	1. Yes 2. Yes 3. Yes 4. No	Untapped competitive advantage
1. Valuable 2. Rare 3. Imitation costs 4. Is the company able to maintain resource characteristics	1. Yes 2. Yes 3. Yes 4. Yes	1. Yes 2. Yes 3. Yes 4. Yes	1. Yes 2. Yes 3. Yes 4. Yes	Long-term and sustainable competitive advantage

Note: compiled by the author.

When evaluating strategic potential it is necessary to use qualitative and quantitative indicators. The VRIO method generates a scale for evaluating the criteria. The VRIO-analysis matrix of resources, competencies and abilities is presented in Table 2 [5].

Table 2. The VRIO-analysis matrix of resources, competencies and abilities

V	R	I	O	The result of using a resource, competence or ability	VRIO score	Economic result
No	-	-	No	Competitive weakness	-1	Below the average
Yes	No	-		Competitive parity	0	Average
Yes	Yes	No		Temporary competitive advantage	+0.5	Above average
Yes	Yes	Yes	Yes	Sustainable competitive advantage	+1	Above average

Note: [5].

The VRIO analysis allows you to evaluate the state of the business and see what is the strategic potential. It can be characterized as an uncomplicated but effective method. It is recommended to evaluate the progress of changes in the criteria on a regular basis.

To evaluate the impact of the business environment on the organization and diagnose the strategic potential the SWOT-analysis method is used. The concept of SWOT analysis, according to the British Library, belongs to Albert Humphrey [6]. The results of the analysis make it possible to assess the readiness of the company to respond to the influence of the external environment, to evaluate the factors that it can control and which it is not able to influence. SWOT is a framework that allows managers to synthesize insights obtained from an internal analysis of the company's strengths and weaknesses with those from an analysis of external opportunities and threats [7]. Internal and external elements that have an impact on business development are determined:

Strengths: factors that give the company an advantage over competitors or strong points;

Weaknesses: factors or weak points that threaten to harm the organization – uncompetitive services, goods, and hinder business development;

Opportunities: factors or opportunities in the company's external environment that can positively influence its future activities;

Threats: negative factors or threats that can harm the business.

There are several options for SWOT analysis. 2 types are presented with a qualitative and quantitative evaluation.

The basic option of the analysis according to Table 3 – Basic SWOT analysis matrix is supplemented by the definition of priorities in Table 4 – SWOT analysis example in the extended model.

Table 3. Basic SWOT analysis matrix

Strengths 1. 2	Opportunities 1. 2
Weaknesses 1. 2.	Threats 1. 2

Table 4. SWOT analysis example in the extended model

Strengths	Factor weight	Rating	Score
1. Famous brand	4	4	16
2. Budget sufficiency	4	5	20
3. Retraining system	2	2	4
Weaknesses	Factor weight	Rating	Score
1. Customer request consideration timeframe	4	4	16
2. No regular market analytics	3	5	15
3. High rates	4	5	20
Opportunities	Factor weight	Probability of occurrence	Score
1. State support programs	3	3	9
2. Changing consumer preferences	2	1	2
3. Growth in demand for services (trends)	4	5	20
Threats	Factor weight	Probability of occurrence	Score
1. Price competition	4	4	16
2. Exchange rate volatility	3	5	15
3. Laws	1	3	3

Note: compiled by the author.

The extended SWOT analysis model achieves the goal of identifying the most important factors from those selected for analysis.

The results of the evaluation of strategic potential by methods of quantitative and qualitative analysis, reveals a competitive advantage. Based on the results of the analysis, company management considers the feasibility of the chosen type or selects the type of strategy, strategic positioning, business directions and their necessary configuration. An effective strategy involves the decomposition of goals and objectives and their consistency with each other. Strategic consistency of activities is the basis not only of competitive advantage, but also of its sustainability. It is more difficult for a competitor to copy a range of interrelated activities than a single sales approach, technology or set of product features. Positions built on systems of activities are much more stable than those built on their individual types [8]. In this regard, a system analysis of business plays a special role.

References in English / Список литературы на английском языке

1. *Chandler A.* Strategy and Structure [Text]: Cambridge MA: MIT Press, 1962.
2. *Porter M.E.* Konkurentnaya strategiya «Metodika otraslei i konkurentov» [Competitive strategy "Methodology of industries and competitors"] [Text]: Alpina Business Books, 2005. P. 26 [in Russian].
3. The VRIO Framework — *Barney J.B.* (1995). Looking Inside for Competitive Advantage. Academy of Management Executive. Vol. 9. Issue 4. Pp. 49–61.
4. *Grant R.* Sovremennyi strategicheskii analiz [Modern Strategic Analysis]. [Text] 9 edition: Peter, 2021. P. 206, P. 210 [in Russian].

5. *Grant R.M.* The resource-based theory of competitive advantage: implications for strategy formulation // California management review, 1991. Vol. 33. № 3. P. 114–135 [in Russian translation // Vestnik (Herald) of St. Petersburg State University / Ser. 8 “Management”, 2003. Vol. 3. P. 47–75
6. [Electronic Resource]. URL: https://www.bl.uk/business-and-ip-centre/articles/what-is-swot-analysis#:~:text=The%20SWOT%20framework%20is%20credit,the%201960s%20and%20early%201970s/ (date of access: 11.04.2022).
7. *Rothaermel, F. T.* (2012). Strategic Management: Concepts and Cases. McGraw-Hill/Irwin. P. 105-106.
8. *Porras D.* Strategiya [Strategy] / Alpina Digital, 2011 (Harvard Business Review: 10 Best Articles). P. 28 [in Russian].

References / Список литературы

1. *Чандлер А.* Стратегия и структура [Текст]: Cambridge MA: MIT Press, 1962.
2. *Портер М.Е.* Конкурентная стратегия «Методика отраслей и конкурентов»[Текст]: Альпина Бизнес букс, 2005. 26 с.
3. The VRIO Framework - Barney J.B. (1995). Looking Inside for Competitive Advantage. Academy of Management Executive. Vol. 9. Issue 4. Pp. 49-61.
4. *Грант Р.* Современный стратегический анализ 9-е изд. [Текст]: Питер, 2021. 206, 210 с.
5. *Grant R.M.* The resource-based theory of competitive advantage: implications for strategy formulation // California management review, 1991. Vol. 33. № 3. P. 114—135 (рус. перевод: Грант Р.М. Ресурсная теория конкурентных преимуществ: практические выводы для формулирования стратегии // Вестник СпбГУ / Сер. 8 «Менеджмент», 2003. Вып. 3. С. 47—75.
6. [Электронный ресурс]. Режим доступа: https://www.bl.uk/business-and-ip-centre/articles/what-is-swot-analysis#:~:text=The%20SWOT%20framework%20is%20credit,the%201960s%20and%20early%201970s/ (дата обращения: 11.04.2022).
7. *Rothaermel F.T.* (2012). Strategic Management: Concepts and Cases. McGraw-Hill/Irwin. P. 105-106.
8. *Поррас Д.* Стратегия // «Альпина Диджитал», 2011 (Harvard Business Review: 10 лучших статей). С. 28.