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M.M. Andrienko Ph.D.,  
I.O. Novokreschenov Ph.D.,  
N.I. Romanyuk

## CHOICE OF THE EFFECTIVE ECONOMIC DEVELOPMENT STRATEGY BY SHIPPING COMPANIES

У статті досліджуються питання щодо особливостей застосування та вибору ефективної економічної стратегії розвитку судноплавних компаній на прикладі ПрАТ «Українське Дунайське пароплавання».

Ключові слова: економічна стратегія розвитку, інвестиційний проект, пароплавне підприємство.

В статье исследуются вопросы особенностей применения и выбора эффективной экономической стратегии развития паромных компаний на примере ПрАТ «Украинское Дунайское пароходство».

Ключевые слова: экономическая стратегия развития, инвестиционный проект, паромное предприятие.

This article investigates the questions on features of application and choice of an effective economic strategy of development by steamship companies on example of PrJSC «Ukrainian Danube Shipping Company».

Keywords: economic strategy of development, investment project, steamship enterprise.

**Problem Statement.** To ensure effective management of shipping company activity is possible only if to choose a right strategy of the further development. Discussion about reasonability and necessity of spending time and money for elaboration of the company's development strategy has been lasting not for the first decade already. Hence, such problem requires further research.

**Analysis of the Latest Researches and Publications.** Both national and foreign scientists, such as I.A. Blank, I.P. Khomynych, H.N. Stepanova, and others, have studied problems of choosing the right strategy of further development for shipping companies.

**Unsolved Earlier Component of the General Problem.** At present, a question on choosing the strategy of further development for shipping companies remains uninvestigated, especially in the latest conditions of unstable external environment.

**Goals of this article** are to clarify advantages and disadvantages of key development strategies for shipping companies and determine the right economic development strategy on example of PrJSC «Ukrainian Danube Shipping Company», and specify reasonability of its implementation.

**Description of Main Material.** A general development strategy of the organization is directly related to the enterprise's activity in general, using all possible resources, and oriented at fulfilling its key goals [1]. Additional types of strategies ensure realization of the general strategy at the organization by certain directions of its activity (for example, marketing, financial, industrial, etc.), kinds of activity (strategy of core activities related to sale of goods and services, strategy of non-core activities – repair and construction, transport, industrial, etc.), utilizing certain kinds of resources (strategy of forming and using labour resources, physical infrastructure, financial resources, etc.) [2,3].

Necessity for forming the firm's strategy refers to the following [3,4]:

- the strategy shows a certain system of values, opinions of enterprise's top management, its vision of the future – particularly this fact helps personnel go in a proper direction;
- the analysis of external and internal environment indicates a primary situation, determines limitations it imposes, and the opportunity for development;

- the formed strategy is a tool of coordination to ensure agreement of goals, facilitate performance of diagnostics in the enterprise's activity;
- availability of the formed already strategy increases the enterprise state of being ready to react to unexpected changes, depicts connection among officials' functions, and stimulates the reasonable management.

We consider the necessity for choosing the economic development strategy of shipping companies on example of PrJSC «Ukrainian Danube Shipping Company» and clarifying reasonability of its implementation. PrJSC «Ukrainian Danube Shipping Company» is an element of the 7<sup>th</sup> International Transport Corridor of Ukrainian Danube estuary, i.e. it is strategically significant for our country.

Due to this fact it is impossible to solve certain problems without intrusion of the country as they are related to attraction of investments and macroeconomic matters at the national level. Having analyzed strong and weak points, opportunities and risks to PrJSC «Ukrainian Danube Shipping Company», it is to formulate a range of possible for the enterprise strategies.

Taking into consideration a type and size of the vessel, and a scope of the market segment the organization is oriented at, three major types of strategies are distinguished:

- universalization,
- specialization;
- containerisation.

Such division is caused by a variety of freight types, and, at that, the same freight may be transported in a few technological ways. Every strategy has its advantages and disadvantages.

Content of these strategies, and their advantages and disadvantages are depicted in Table 1.

Table 1

**Types of Major Strategies for Shipping Companies**

<b>Advantages</b>	<b>Disadvantages</b>
<i>Specialization strategy</i>	
<i>Content: development of freight traffic by kinds of vessels that consider freight specifics to the great extent.</i>	
<ul style="list-style-type: none"> <li>- provision of high standards of pick-and-place operations;</li> <li>- time reduction on freight operations;</li> <li>- some types of freight are transferred only with special vessels.</li> </ul>	<ul style="list-style-type: none"> <li>-high value of special vessels;</li> <li>-usage if special freight is available only;</li> <li>-necessity of special conditions for keeping a park of special vessels.</li> </ul>
<i>Universalization strategy</i>	
<i>Content: it is to choose a type of vessel that may be used for all kinds of freight.</i>	
<ul style="list-style-type: none"> <li>-cost of vessels is lower, and demand is higher;</li> <li>-universal vessels may be replaced.</li> </ul>	<ul style="list-style-type: none"> <li>-lower standards of pick-and-place operations;</li> <li>-impossibility to transfer some kinds of specific freight.</li> </ul>
<i>Containerization strategy</i>	
<i>Content: Shipping in special containers.</i>	
<ul style="list-style-type: none"> <li>-highest standards of pick-and-place operations;</li> <li>-wide freight nomenclature.</li> </ul>	<ul style="list-style-type: none"> <li>-imbalance of traffic flows;</li> <li>-stockpiles of containers in ports;</li> <li>-extra charges related to this;</li> <li>-relatively expensive vessels.</li> </ul>

When choosing a certain strategy for steamship enterprises it is necessary to analyze major indicators, such as profit/loss, quantity of requisite vessels, their payback period, etc.

Naturally, special attention is focused on profit as the profit is a major purpose of the enterprise's activity.

So, considering the current state of PrJSC «Ukrainian Danube Shipping Company», external environment, priority directions of transfers and, in particular, financial standing, it is suggested to choose a conservative strategy dedicated to excess at the market only, i.e. to a difference between the future and current commodity flow provided that small-size vessels are applied on principles of universalization.

It means it is necessary to realize an investment project on purchase of vessels. Considering the current financial standing of PrJSC «Ukrainian Danube Shipping Company», it is possible to purchase either 2 vessels of 5,000 tonnage at a price of UAH8,000 or 1 vessel of 15,000 tonnage at a price of UAH10,000. Output data on estimating effectiveness for one of two investment projects for PrJSC «Ukrainian Danube Shipping Company» are presented in Table 2.

Table 2

**Output Data on Estimating Effectiveness of Investment Projects**

Indicator	Project	
	1 <sup>st</sup> project	2 <sup>nd</sup> project
Credit, thousand UAH	8,000	10,000
Rate by credits, %	25	25
Useful lifetime period, years	20	20
Discount rate, %	20	20
Income by years, thousand UAH	23520	27440
Cost by years, thousand UAH	22306	25736,8
Annual amortization rate	40	40

Based on such data, main indicators of economic effectiveness for investment projects were estimated. Findings are presented in Table 3.

Table 3

Indicator	Standard Value	Project	
		1 <sup>st</sup>	2 <sup>nd</sup>
NPV, thousand UAH	>0, keeping to increase	1574	2647
Payback period, years	the less, the better	5.9	5.1
Profitability index	>1, keeping to increase	1.7	2
IRR, %	the less, the better	29.9	33.3

Thus, choice of the universalization strategy ensures the increase of demand on various transfers that, in its turn, will foster the increase of main financial indicators and renewal of capital funds at steamship companies.

**Conclusion.** Considering the fact that discussion about reasonability and necessity of spending time and money for elaboration of the company's development strategy has been lasting not for the first decade already, this article has proved it is necessary to form the firm's strategy and clarify such choice based on example of PrJSC «Ukrainian Danube Shipping Company».

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