

Strategic Priorities of the Development of Oil and Gas Complex of Ukraine

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The oil and gas complex has big significance for Ukrainian and European economies and has the biggest influence on sustainable economic growth, social development and active cooperation in Europe. The energy safety of the country is affected by the crises in oil market, and that factors influence upon all industries. The modern complicated and unstable conditions of functioning demand improved concepts, approaches, methods and tools in the field of strategic decision-making towards high performance and sustainability of an entity. The paper is aimed at presenting the author's view on strategic management of oil and gas complex of a country. The strategic key points and content of these processes are specified for the oil and gas industry of Ukraine.

Keywords: strategy, strategic management, oil and gas complex, strategic key point.

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Introduction. The economy of Ukraine has been changed significantly in recent decades. First of all, these changes take place in the industries associated with extraction and processing the natural resources. Under the modern tendencies the significance of the oil and gas complex of Ukraine grows so far as the status of national economy depends on the level of general performance of the industry. In other words, the successful functioning of the oil and gas complex determines the economy growth of the country, in particular – the rate and directions of the development for all the related industries.

The research in field of strategic development of the enterprises becomes urgent for the enterprises of oil and gas complex as independent case of national economy growth and regional economic development.

Ukrainian and foreign experience persuades the necessity to implement the integrated forecasting and strategic planning, to choose optimal strategy for the economy of Ukraine and therefore, – to develop the effective strategy of the oil and gas complex and economic entities in particular.

Problem statement. In academic literature it is widely discussed that the problems of oil and gas complex as national energy security problems can be solved on the strategic basis only. The clear and sustained strategic priorities are needed to be established in the mentioned fields. As it is experienced, any attempts to make decisions unsystematically, or use one-side approach, or orientation on current urgent situations are not productive enough and lead to the long-run risks increase.

The theoretical and methodological foundations of the research are formed by the previous findings of such researchers and strategists as I. Ansoff, K. J. Hatten, J. M. Higgins, A. Mishchenko, S. V. Obors'ka, D. Schendel, Z. Y. Shershnova, H. Shvindina, A. J. Strickland, A. Thompson, O. Vihansky, H. Vissema and many others.

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At the same time there is still a methodology and research-practice gaps in the field of strategic management of oil and gas complex under the modern conditions of instability and uncertainty in Ukraine.

The above mentioned weak theoretical background of the decision-makers in the industry and industrial problems – together determine the current topic of the research.

The research is **aimed** at clarifying the strategic priorities of oil and gas complex development in Ukraine through generalization of strategic management approaches and revealing of practical knowledge gaps.

The results of the research. Nowadays, when rapid changes are unavoidable attribute of the activity of the enterprises in internal and external markets, strategic management issues become the most urgent for the entities. The strategic management determines the priorities of the functioning for the enterprises, industries, regions, countries and allows forecasting the path for the maneuvers to use arisen opportunities and to avoid emerged threats.

Table 1

The definitions of the essence of “strategic management”
[generalized by author using [2, 3, 4, 5, 6, 8]]

Author	The definition
I. Ansoff [adapted in 4]	The activity interlinked to goals and tasks determination for the entity and support of interrelations between the entity and environment, which corresponds to the internal opportunities and let to remain receptive to external demands.
A. Thompson, A. J. Strickland [adapted in 4]	Multi-aspect, formal and behavioral managerial process that helps to formulate and realize effective strategies which favor goal-driven balancing the relations between the entity (including separate parts) and external environment.
J. M. Higgins [adapted in 44]	The process of management of mission realization due to the relations between organization and its environment.
D. Schendel and K. J. Hatten [edited by author based on 5]	The process of determination and identification of the links between entity and environment, which include objectives realization, setting an aspiration level of relations through the resource distribution for the high performance of the entity and its departments.
H. Vissema [2]	The style of management and communication methods, information transfer, decision-making and planning, that allow management making business decisions timely and specifically.
Z. Y. Shershnova, S. V. Obors'ka [8, P. 30]	The concept which unites target-oriented approach and integral approach of entity management, that allows establishing objectives in comparison with the existing opportunities (or potential) of the enterprise and to adjust them in accordance with demands by strategy development and implementation.
A. Mishchenko [6]	The process aimed to create a competitive advantage and to support the effective strategic position, which will guarantee viability of entity in changing environment.
O. Vihansky [3, P. 18]	Management that is based on human capital potential of entity and is oriented on maximization of customers satisfaction by means of timely organizational changes, competitive advantages generation and adequate reaction of the firm to the external environment.

We should mention the detailed overview on evolution of a strategy as a unit of strategic management theory, presented in research of H. Shvindina [7], but our research is focused

more on strategic management as a system of decision-making. The essence of the strategic management differs among the scholars (see Table 1), but all the researchers agreed about the three main characteristics:

- orientation to the long-run results which reflect the mission of the enterprise;
- the hierarchy of the interconnected objectives which are directed to support the effective activity of the enterprise in competitive environment and in a long-run perspective;
- the forecasting and planning of the enterprises' activities as open system which react on changes of exogenous environment.

We may agree with Z. Y. Shershnova and her co-authors who mentioned, that strategic management concept has such characteristics [8, p. 57–58]:

- the concept is based on certain coupling of management theories, systematic and case-analysis in particular, goal-oriented and innovative approaches to management etc.;
- the management subject is considered as open social, economic, material system. And the application of one approach will not bring the achievement of the long-run development of the subject;
- the concept is oriented on conditions and settings analysis to shape the environment of management subject, and to create strategic management systems in response to environment. The strategic systems will differ depending on the subject and environment settings;
- the concept is concentrated on strategic data collection and processing. The analysis, interpretation and application of the information into the strategic decision-making system will allow to conduct the changes at the enterprises intensionally, sequentially, with uncertainty decrease;
- by the strategic management it is possible to forecast the consequences of the decisions and therefore to influence on situation strategically by relevant resources distribution, effective communications and behaviour shaping in the organization;
- the concept provides an application of certain tools and methods of development for the management subject (“decisions tree”, “strategic set”, portfolio-planning, strategic plans and programs etc.);
- creates the preconditions to management system transformation under which the organization units move into the strategic mode that will secure the long-term perspective.

The author of these characteristics assures [8] that they will not exhaustive for full understanding of the strategic management essence, but they let identifying the most important elements of it.

Mentioned statements are reflected in the strategic management principles as follows [8, p. 92–93]:

- perceptiveness – long-term results orientation;
- high priority – the management and CEOs of the enterprise should stick to the program of actions successively and all the strategic and operative actions should be in compliance to the strategy;
- realization – set of objectives and targets should correspond the resources of the enterprise (material, financial, technological, informational etc.) and environment conditions;
- step-wise improvements and recurrence – the strategy implementation should be done step-by-step through the realization of middle-term and short-term initiatives;
- complex approach which means the overall analysis and data monitoring that let reacting to the environment timely.

Hence, strategic management is complex, multi-aspect managerial process, directed at

long-term objectives achievement, to reinforce the competitiveness of the enterprise, to enhance the positions in markets and to increase the effectiveness of the whole enterprise functioning by forming and implementing of the optimal strategy that fits the requests and conditions of the environment (internal, as well as external).

Building the concept of “strategic management” as it is mentioned above, its characteristics and principles and applying them into the oil and gas complex let us assume that the strategic management of this industry has its specific features. We offer to understand the strategic management of oil and gas complex as a system of long-term directions, objectives and methods to sustain the functioning and development of the oil and gas complex by efficient coordination and allocation of resources in accordance with the internal and external environment changes. So, first of all, sustainable functioning and development should be twofold primary goal of the oil and gas complex of Ukraine, and through dialectical counteractions these two directions will lead to new level of management; and secondly, the general strategy of oil and gas complex may and should be concretized as a set of functional strategies.

The strategic management of oil and gas complex must be continuous process outlined with the feedback, structured as elements set (Fig. 1): strategic analysis strategic vision, strategic diagnosis, strategic priorities, strategic choice and strategic controlling.

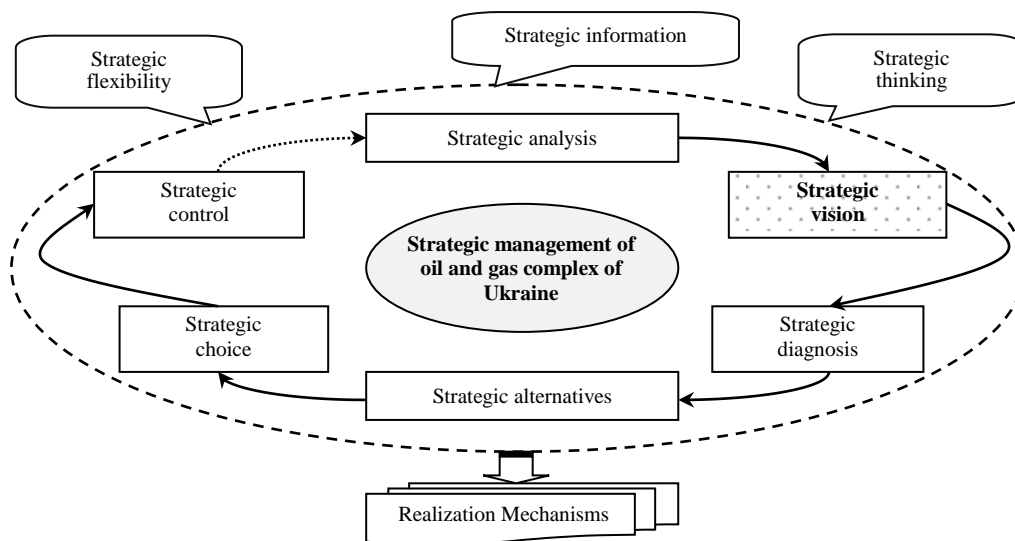


Figure 1. Conceptual scheme of strategic management of oil and gas complex of Ukraine, where dotted arrow means ‘offered to implement’

Specifically, the strategic choice means the selection of the optimal strategic alternative among the existing ones and establishment of the strategic priorities according to the made choice. In particular, the Energy Strategy of Ukraine named as “Security, energy efficiency and competitiveness” [1] determines the main strategic objectives of the country, one of them is the maximization of energy independence. The conditional deadline of the strategy is 2035, though till 2025 the main focus is placed on energy economizing, sustainable carbohydrate consumption and maximal diversification of natural resources production and supply. It

should be noted that this task is achievable only if the oil and gas complex of Ukraine moves to the innovative path of further development. Just the innovations are the source of efficiency increase in the field of fuel and energy resources usage, including oil and gas. Natural fuel and energy resources are not only competitive advantages and national attainments of Ukraine, but the component of the oil and gas complex on a level of different potentials – production, R&D and personnel potentials of further development.

One of the most widespread toolbox in a sphere of strategic analysis is SWOT-analysis, which is a process of links identifications between the most typical strengths or advantages (S), weaknesses (W), opportunities (O) and threats (T) of an enterprise, that lets the analysts specify a strategy, diagnose current state of a management subject (as it is variable) and reveal new or unrecorded opportunities and possible threats, which constantly come from the dynamic environment (Table 2).

Table 2

SWOT-analysis of oil and gas complex of Ukraine

Strengths	Weaknesses
<ul style="list-style-type: none"> • Availability of the oil and gas deposits; • favorable location for obtaining the status of transit country; • accumulated experience (mostly post-soviet) in the field of oil and gas exploring; • priority of the country development. 	<ul style="list-style-type: none"> • Inertial and capital-intensive structure of complex; • low technological paradigm; • quality decrease of raw materials base; • oil depletion by 60–80%; • high depreciation of capital assets; • imperfection of legislation and nature management; • personnel training is detached from demands; • insufficient attention to the high-profit oil processing and oil chemistry.
Opportunities	Threats
<ul style="list-style-type: none"> • Efficiency increases due to raw materials usage in traditional regions of extraction; • search, exploration and launching the deposits at sea shelf; • depths increase of carbohydrate processing; • development of new scientific, technical and technological methods of search and exploration of oil and gas; • new technologies implementation that will favor efficiency increase of exploration work; • efficiency increase of energy resources usage in national economy; • favor location to develop the energy transit market; • implementation of the international principles of corporate management. 	<ul style="list-style-type: none"> • Development of alternative sources of energy and fuel; • risk to lose part of energy system and transit status due to external aggression of the Russian Federation against Ukraine; • realignment of the European partners to other sources of energy and other suppliers; • ecological problems; • energy safety menace because of exploration increase and deposits depletion; • unstable solvency of demand of the related industries; • high possibility of accidents and anthropogenic catastrophes (e.g. because of high depreciation of equipment); • the absence of controlling system in a mineral resources management and prospecting licenses.

The SWOT-analysis given above allows us identifying the strategic targets of oil and gas complex development as follows:

- energy resources support of the national economy needs;
- activation of geological exploration for expanded reproduction of raw materials base;
- flexible and efficient production of oil, gas and their processing products;
- quality increase of oil and gas production;

- costs decrease on oil and gas production and processing;
- optimal loading of capacities of oil and gas production and processing;
- innovations implementation into oil and gas complex;
- the modernization of depreciated equipment and outdated technological base of oil and gas complex;
- support of stable, reliable and effective functioning of existing oil and gas infrastructure;
- resource and energy saving in a process of the oil and gas production and processing;
- costs reduction at all stages of technological process;
- effective HR management to implement production program of oil and gas complex;
- synergy effect achievement as a result of vertical integration of oil and gas complex;
- production of energy carriers with high added value;
- exploration of new deposits (more complicated in terms of mountain and geological conditions), including new deposits of regional and local significance.

All the principles mentioned above are in accordance with Energy Strategy of Ukraine and energy security is one of the highest priorities of the program.

Strategic vision for the oil and gas complex of Ukraine is perceived to be absent, despite of existing long-run programs of development at government level. To emphasize its crucial role in strategy development, this element is headlined in Figure 1.

The strategic alternatives set forming is provided by deep study of environment, objectives and accepted strategies, including tasks solution, identification and corrections of strategic objectives in accordance with the environment demands, coordination of the strategy implementation and involvement of employees into the realization. It is often applied through wide spread strategic toolbox, e.g. SWOT-analysis.

We should assert that reforming of oil and gas complex takes place sparsely and thereafter the strategic control exists at certain stages but not as an integral system. The strategic decisions are made in the conditions of informational uncertainty, when there is weak links between stages of strategic management elements. The strategic management process (presented in Fig. 1) per se is generally accepted by strategists and academic scholars but not in use by managers of oil and gas complex of Ukraine.

Meanwhile stable, uninterrupted and economically effective satisfaction of the demands in oil, gas and their processing products are one of the basic checkpoints in the process of strategic management. The offered set of strategic priorities is necessary and sufficient for development and implementation of the strategy of oil and gas complex in Ukraine.

Conclusions and perspectives of further research. The paper presents the generalization of existing approaches to identify the strategic management. The study of these approaches, of typical components and characteristics of strategic management and specifics of oil and gas production in Ukraine – all together let author offer the term of strategic management of oil and gas complex as a system of long-term directions, objectives and methods to sustain the functioning and development of the oil and gas complex by efficient coordination and allocation of resources in accordance with the internal and external environment changes. This process must be continuous outlined with the feedback, structured as elements set: strategic analysis, strategic vision, strategic diagnosis, strategic priorities, strategic choice and strategic controlling. Using SWOT-analysis allows identifying the strategic targets for oil and gas complex development in accordance with Energy Strategy of Ukraine till 2035 “Security, energy efficiency and competitiveness” which will support stable, uninterrupted and economically effective satisfaction of the demands in oil, gas and their processing products.

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Стратегические ориентиры развития нефтегазового комплекса Украины

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Нефтегазовый комплекс имеет важное значение для экономики Украины и Европы и является самым влиятельным фактором в обеспечении стабильности, экономического роста, социального развития и активизации сотрудничества в Европе. Кризисное состояние ситуации на рынке нефти и нефтепродуктов существенно влияет на энергобезопасность государства, темпы и направления развития фактически всех отраслей материального производства. Современные сложные и нестабильные условия функционирования требуют от субъектов управления нефтегазовым комплексом совершенствования концептуальных подходов, методов, инструментов, используемых при подготовке и принятии стратегических решений, которые обеспечат достижение устойчивости и эффективности его развития в долгосрочной перспективе. В работе представлен авторский взгляд на стратегическое управление нефтегазовым комплексом государства, содержание данного процесса и стратегические ориентиры развития нефтегазового комплекса Украины.

Ключевые слова: стратегия, стратегическое управление, нефтегазовый комплекс, стратегический ориентир.

Стратегічні орієнтири розвитку нафтогазового комплексу України

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Нафтогазовий комплекс має важливе значення для економіки України й Європи та є найвпливовішим чинником у забезпеченні стабільності, економічного зростання, соціального розвитку та активізації співробітництва в Європі. Кризовий стан ситуації на ринку нафти та нафтопродуктів істотно впливає на енергобезпеку держави, темпи та напрями розвитку фактично усіх галузей матеріального виробництва. Сучасні складні та нестабільні умови функціонування потребують від суб'єктів управління нафтогазовим комплексом удосконалення концептуальних підходів, методів, інструментів, що використовуються при підготовці та прийнятті стратегічних рішень, що забезпечать досягнення стійкості та ефективності його розвитку в довгостроковій перспективі. В роботі представлено авторський погляд на стратегічне управління нафтогазовим комплексом держави, зміст даного процесу та стратегічні орієнтири розвитку нафтогазового комплексу України.

Ключові слова: стратегія, стратегічне управління, нафтогазовий комплекс, стратегічний орієнтир.

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Figure: 1; Tables: 2; References: 8

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