

# RESEARCH OF ORGANIZATIONAL DEVELOPMENT OF FOOD INDUSTRY ENTERPRISES

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**Abstract.** *The purpose* of the work is to analyze economic processes at the enterprise level and in-depth study of their economic processes, which is important not only in the process of establishing market relations, but especially during the economic crisis in the country. *Methodology.* There is an urgent need to make managerial decisions aimed at improving the economic sustainability of the enterprise, which can only be achieved through professional economic analysis of the enterprise, which is carried out using a number of economic and financial indicators calculated on the basis of financial statements and additional accounting indicators at the enterprise. The most difficult task of the food industry is to provide high-quality products and achieve their competitiveness. According to the *results* of the analysis, it was concluded that the food industry ranks second in terms of sales. The food industry ranks second in terms of sales volume. In 2016, the volume of sold products of the food industry amounted to 381.4 billion UAH (21.6% of the total volume in the industry), of which 91.4 billion UAH (19.6% of the volume of industrial products sold outside the country). The food industry of Ukraine has great potential and is competitive. In the context of the strategy development, measures to stimulate the economic activity of food industry enterprises are also proposed. *Practical implications.* Manufacturers are expanding the geography of external supplies and are looking for access to foreign markets, and the export potential makes it attractive to investors. Under such conditions, the Ukrainian food industry should change its priorities and modernize production. There is a clear lack of funding for the industry, which could be provided by both foreign and domestic investors. Capital investments should go to the food industry, which produces competitive products. And the reduction of investments in the food industry in the long run will increase the technological lag of Ukraine from the developed countries of the world. *Value/originality.* During the year, work was carried out to attract food and processing enterprises of all forms of ownership to participate in seminars on the development, implementation and certification of management systems, namely: quality, food safety, environmental management, occupational safety.

**Key words:** organizational development, food industry, management, enterprises.

**JEL Classification:** D21, D29, D70

## 1. Introduction

The modern paradigm of business management is determined by a high level of uncertainty and dynamism of the external environment, intensification of competition in the markets, intellectualization and computerization of activities, the growing role of the human factor, proactive development strategies, the crucial importance of a unique combination of resources and outstanding competencies, the need for strategic flexibility in the management of production, marketing and innovation. As a result, the company's operating model should be

based on comprehensive multi-criteria analytical support and design of business processes and organizational changes.

For many years, the food industry of Ukraine has been a priority and strategically important industry that ensured food security of the Ukrainian people and contributed to the rapid integration of the national economy into the European Union. In the world practice, the quality and quantity of food products are important indicators of social stability of the country, which testify to its development. Therefore, the issue of quality and safety of

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products is of concern to both specialists and consumers, and therefore it is necessary to manage and control the quality of products. Since quality cannot appear by itself, it must be managed. And this process should involve all economic counterparties that interact in the process of production and promotion of products to the consumer. But the most difficult task of the food industry was and remains ensuring high quality products and achieving its competitiveness.

## **2. Scientific principles of organizational development**

Despite the economic crisis, the country is developing market relations, accompanied by the active formation of entrepreneurship, the creation of new enterprises in the food industry. This business is characterized by low economic sustainability of food enterprises. Analysis of economic processes at the level of enterprises and in-depth study of their economic processes is important not only in the process of establishing market relations, but especially during the economic crisis in the country. There is an urgent need to make managerial decisions aimed at improving the economic sustainability of the enterprise, which can only be achieved through professional economic analysis of the enterprise, which is carried out using a number of economic and financial indicators calculated on the basis of financial statements and additional accounting indicators at the enterprise. At this stage of management there is a need for in-depth identification of the existing capabilities of the enterprise to achieve and maintain sustainable and effective business development. And most importantly – achieving positive results in solving the tasks of the enterprise on economic sustainability at all other levels of production process management (Development of the food processing industry in 2018).

First of all, in the scientific literature, the concept of "organization development" began to be used in the 1950s of the XX century, understanding it as a specific strategy of systemic change aimed at improving the efficiency of the organization by improving the management of organizational processes, structures and culture. In the 60s and 70s of the XX century, organizational development research focused on improving the internal functioning of the

organization by improving communications, clarifying organizational roles, creating teams, etc. In the 1980s of the twentieth century, the concept of "organizational development" under the influence of increased competition, development of information technology, political and economic changes acquired a new meaning. Its main components were the mission, key principles, vision, strategy of the organization (Denysiuk, 2013).

Organizational development researchers consider their field of study as a separate interdisciplinary field of knowledge, which is more general and covers the concepts of organizational behavior, management, business administration, psychology, sociology, anthropology, economics, education, consulting and public administration. Among the definitions of organizational development, attention should be paid to the typology (Egan, 2001), who made a historical analysis of the creation of 27 different interpretations in the period from 1969 to 1999. At the same time, attention should be paid to the definition (McLean, 2005), which defines organizational development as any process or activity aimed at improving knowledge, experience, productivity, income, interpersonal relationships or other desired results in the organization and for the benefit of the organization. For example, (Christian Freiling, Johannes Fischer, 2002) notes that a holistic (systemic) approach to change in an organization cannot be implemented without the classical distinction between first and second order changes. The system can acquire different states, i.e., change according to the first-order principle. In another form, second-order changes make the system understand itself and perform this role in a completely new way. Second-order changes are quantum leaps, startling discoveries, etc.

Changes are associated both with internal changes at the enterprise (forms of ownership; in the management, production and other structures of the enterprise; forms and methods of management, development prospects), and with the external environment (new business conditions, competitive environment), the emergence of new technologies, etc.) (Otenko, Moskalenko, 2005).

Thus, organizational changes are systemic transformations that cover the entire enterprise

as a whole or its individual parts. They are aimed at improving economic, legal and social relations in the field of organization functioning. The objects of organizational changes can be structures, management systems, processes, methods, technologies.

Changes that occur in the process of functioning of the enterprise are qualitative in nature and can be manifested in the transformation of the enterprise potential (technological, intellectual, managerial, financial, etc.), as well as in changing the size and scope of the enterprise.

Organizational changes at enterprises are aimed at solving two main tasks:

- 1) ensuring the survival of the enterprise in the short term, mainly through the use of internal reserves;
- 2) achieving long-term efficiency by ensuring high competitiveness of the enterprise in the market.

Organizational changes cover all planned, organized and controlled activities in the field of strategy, production processes, structuring and management of enterprises. They involve a radical transformation of the structure of an economic organization, its assets, property, finances, management, personnel, strategic orientation, and ways of adapting to the external environment.

Organizational changes can be carried out both in enterprises seeking to overcome the crisis, and in organizations with dominant positive trends in functioning, which seek to qualitatively transform their activities in order to maintain the current trajectory of development and further increase efficiency.

### **3. Analysis of organizational development of the food industry**

The food industry is one of the most investment-attractive industries in Ukraine, which is due to the rapid return on investment, the availability of a large base of agricultural raw materials, much less dependence on changes in the situation on foreign markets due to the large capacity of the domestic market and low elasticity of demand for food. At the same time, the development of the food industry is characterized by the presence of unresolved problems, such as the lack of a systematic approach to state policy to ensure stable and efficient food production; low level of technical equipment and high level of equipment disposal; decrease in the level of raw material

supply and purchasing power of the population; lack of investments and innovations; lack of stable relations between suppliers of raw materials and processing enterprises.

Today, food industry enterprises are concerned with such issues of organizational development management as (Sakhno, Sakhnenko, 2019):

1. Significant level of seasonal impact in industries that process agricultural raw materials.
2. High consumption of raw materials and other material resources in the production process (it should be taken into account that the quality of indigenous agricultural products needs to be improved for the normal functioning of raw and finished products).
3. Limited shelf life of food products in the industry.
4. The most common goal of the food industry enterprise is to meet the needs of the end consumer in terms of the impact of sales volumes on the welfare of the population.
5. The need to constantly change the business of manufactured products in order to keep demand at the required level and maintain its market share in the face of fierce competition from imported producers.
6. High level of qualification of working personnel at food industry enterprises.

Undoubtedly, the change in modern conditions of industrial development has led to the emergence of new challenges for the production and sale of food industry products. At the same time, the problems that previously had a destructive impact on various industries and sectors remain unresolved.

Scientists traditionally refer to such restraining factors as (Sychevskyi, Yuzefovych, 2014):

- insufficient demand for food solvents;
- diversified attractiveness of food industry for foreign investors;
- the impact of uncontrolled and unpredictable factors on production results; the lack of economic regulators.

In other words, under current conditions, in addition to traditional challenges that destabilize the food industry, new problems arise due to the limitations and consequences of the COVID-19 pandemic and military operations in Ukraine.

After all, the food industry has a serious impact on the state economy, revenues to budgets of different levels and the development of various

sectors of domestic industry. However, as in most areas of state building, there are a significant number of problems in domestic practice that affect the capacity of the national food industry system, namely (Rymar, Mazurkevych, 2021):

1. Poor quality of food industry management.

Effective management allows standardizing the work of food industry enterprises, improving management processes in accordance with the requirements of the market economy, while respecting the interests of society and the state.

2. Insufficient funding, investment in food industry.

The realities of today require new investments that can modernize technological processes and technical base at enterprises.

3. Poor quality of legislative provisions regulating the functioning of the food industry.

Despite the fact that the Association Agreement provided for the unification and improvement of regulatory standards in the food industry, the expected improvement did not occur.

4. Difficult economic, political and epidemiological situation.

The crisis phenomena of social life in Ukraine create an unfavorable situation both in the

domestic and foreign markets, which affects the volume of product supplies, investment climate, sales markets, etc.

The food industry ranks second in terms of sales volume. In 2016, the volume of sold products of the food industry amounted to 381.4 billion UAH (21.6% of the total volume in the industry), of which 91.4 billion UAH (19.6% of the volume of industrial products sold outside the country).

One of the main tasks of today is to produce high-quality products that would meet the standards of European markets and be competitive. During the year, work was carried out to attract food and processing enterprises of all forms of ownership to participate in seminars on the development, implementation and certification of management systems, namely: quality, food safety, environmental management, labor protection.

Foreign economic relations, especially foreign trade, is one of the most dynamic sectors of the economy and the leading form of participation in relations between Ukraine and other countries.

It should be noted that the main obstacles to the organizational development of the food

Table 1

**Volume of food industry products sold by Ukrainian enterprises in 2020-2021, UAH million**

№	Type of products	Volume of products sold, 2020, UAH million	Volume of products sold, 2021, UAH million	Share in the volume of products sold, %, 2020	Share in the volume of products sold, %, 2021
1	Meat and products of meat	62921,8	75160,6	2,92	3,00
2	Oil and solid fats	115350	132746,4	5,36	5,29
3	Fish	3782,2	4853,6	0,18	0,19
4	Fruits and vegetables	13142,5	15680,6	0,61	0,63
5	Dairy products	51561,5	57638,6	2,39	2,30
6	Bread, bakery and flour products	306998,6	33733,7	14,26	1,34
7	In general, food industry	380695,6	422730,5	17,68	16,85

Table 2

**Change in production volumes of the main types of food industry products**

№	Group of goods	Growth rate, %			
		2005/2004	2010/2009	2016/2015	2021/2020
1	Food	+17,5	+10,7	+8,5	+13,4
2	Bread and bakery products	-1,1	+12,3	+11,1	+8,4
3	Meat and products of meat	+30,3	+2	+7,3	+20,9
4	Fish and fish products	+29,8	+5,1	+5,1	+1,7
5	Milk, cheese and eggs	+23,4	+21,9	+14,1	+20,8
6	Oil and fats	+24	+9,6	+13,4	+15,4
7	Fruits	+20,6	+5,1	-1,8	+15,2
8	Vegetables	-8,3	+14,5	-6,4	+10,3
9	Sugar	+27,5	+57,5	+17,8	+6,8

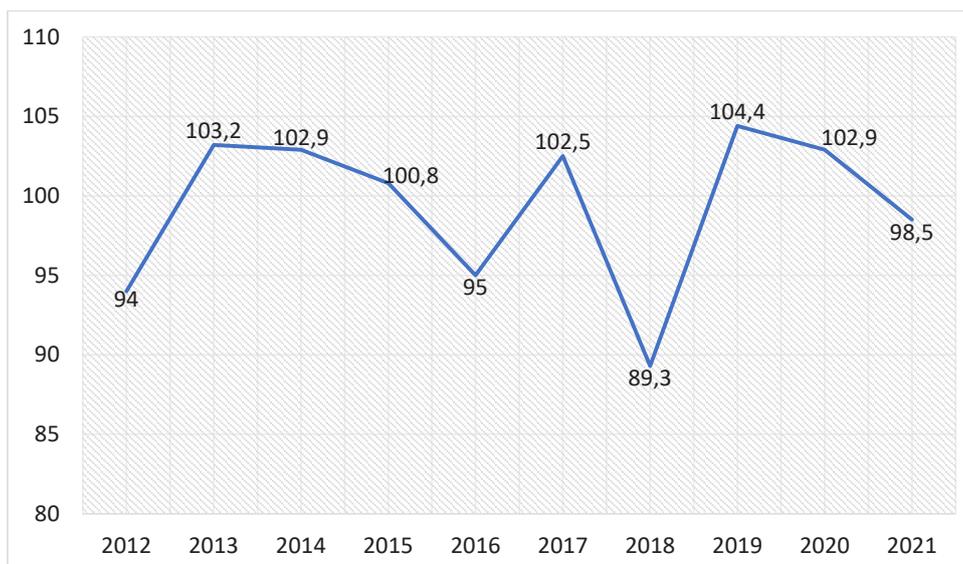


Figure 1. Dynamics of food industry production indices in 2012–2021

industry in terms of increasing production volumes are insufficient efficiency of agricultural markets, monopoly of certain trading enterprises, low quality of raw materials, in particular, final products, inconsistency of the system of food standards with European and world practice, inefficient system of crediting and subsidies, high level of use of material and technical base and low level of introduction of innovations in enterprises

#### 4. Recommendations for improving the organizational development of food industry enterprises

Modern trends in the socio-economic development of society determine the directions of activity of enterprises in order to achieve economic stability. Increasing requirements for sustainable production and economic, financial and economic, economic and organizational-managerial activities of the enterprise requires the development and implementation of effective approaches to enterprise management, among which the main place belongs to social management and development strategies. The moment of implementation of the social component in the overall management process of the enterprise will contribute to its development in parallel with increasing its economic stability. Meeting the needs of society is an extremely important task for any business. The human factor should be taken into account in the assessment.

The search for ways to increase the economic sustainability of food supply in the context of the economic crisis is an urgent and necessary component of the process of overcoming the crisis not only at the micro level, but also at the macro level. Most enterprises do not have a social orientation of business and lack qualified employees, which requires the creation of a new socially oriented system.

Improvement of organizational development of food industry enterprises based on social development strategies should include the following elements (Strategy for the development of exports of agricultural products, food and processing industry of Ukraine for the period up to 2026):

- employment policy should include all possible measures aimed at providing enterprises with highly qualified personnel, creating the necessary working conditions, ensuring guarantees of labor protection, career growth and wage growth;
- a training policy that includes all possible measures to improve the skills of employees and encourage the desire for professional growth;
- a remuneration policy that includes elements of a sufficiently high proportion of salary, experience-ability-dedication, benefits, incentives.

Meeting the social needs of the workforce encourages employees to work hard, and therefore solves the related problems of ensuring the economic stability of the food enterprise. Improving quality, production, continuous production, small narrow spaces, losses, not

significant or absent. However, saving employees is one of the ways to reduce the economic stability of the enterprise.

Foreign experience shows that the growth of economic stability in times of crisis by increasing the competitiveness of enterprises through (The state of the agro-industrial complex. Information and analytical portal of the agro-industrial complex of Ukraine. February 4, 2021).

- introduction of reduction of production costs by reducing bottlenecks and, accordingly, the cost of production, the use of alternative energy sources;
- implementation of international quality standards;
- implementation of measures aimed at the development of small food industry enterprises as one of the most important areas of job creation and income growth in the economic crisis.

Also, in the context of developing a strategy to stimulate the economic development of food industry enterprises, it is necessary to propose:

- increase in the volume of investment revenues in the food industry from the state;
- training and advanced training of personnel of food industry enterprises;
- reducing the cost of products in this industry by introducing innovative devices and technologies;
- ensuring the purchasing power of the population using the levers of state influence to increase the demand for food products;
- expansion of the geography of international markets for the sale of products and provision of international standards for its production;
- creation of favorable investment climate for international investors;
- providing cooperation with agricultural enterprises within the framework of the raw materials portfolio formation.

The proposed actions should have a positive impact on the development of the food industry in Ukraine, and therefore ensure the food security of the state.

## 5. Conclusions

Summarizing the above, we can see that the food industry of Ukraine has great potential and is competitive. Producers are expanding the

geography of external supplies and are looking for access to foreign markets, and the export potential makes it attractive to investors. But the economic, political and epidemiological crises deepen the existing problems that destabilize the work of food industry enterprises and force them to look for new opportunities for the functioning of the market. Under such conditions, the Ukrainian food industry must change its priorities and modernize production. The review of problematic issues related to the functioning of the food industry showed that there are a number of managerial, economic, regulatory issues that have a destructive effect on the development of the food industry. There are no necessary capital investments, state financial support, which causes an unfavorable climate for the development of the industry.

It should be noted that the main obstacles to the organizational development of the food industry in terms of increasing production volumes are insufficient efficiency of agricultural markets, monopoly of certain trading companies, low quality of raw materials, in particular finished products, low quality of the products produced, inconsistent system of food standards to European and world practice, inefficient system of crediting and subsidies, high load of material and technical base and low level of introduction of innovations at enterprises.

Today there is a clear shortage of funding for the industry, which could be provided by both foreign and domestic investors. Prospects for the food industry development are depend on the growth of the industry, its competitiveness, and the effectiveness of economic levers of proceeds, development of a market-based production model adapted to national realities.

Capital investments should go to the food industry, which produces competitive products. And the reduction of investments in the food industry in the long run will increase the technological lag of Ukraine from the developed countries of the world.

Further directions of research should reveal the specifics of industry management in crisis conditions, identify real ways to attract investment, including in-depth marketing research.

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