

**MINISTRY OF EDUCATION AND SCIENCE
NATIONAL AVIATION UNIVERSITY**

Management of Foreign Economic Activity of Enterprises Department

ALLOW TO THE DEFENCE

Head of the Department

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“ ____ ” _____ 2020

**MASTER THESIS
(EXPLANATORY NOTE)**

Topic: Increasing economic efficiency of economic activity of LLC “B2b Soft”

Performed by: Mgbeahurike Chisom Joachim

Scientific adviser: PhD in Economics, assoc. prof. Razumova Katerina

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NATIONAL AVIATION UNIVERSITY

Faculty **EBA** Department **Management of Foreign Economic Activity of Enterprises**

Education-qualification level **Master**

Specialty: **073 "Management"**

Specialization: **"Management of Foreign Economic Activity"**

APPROVED

Head of Department

O. Kyrylenko

" ____ " ____ 2020

TASK

to perform Master Thesis by student

Joachim Mgbeahurike

(surname, name, patronymic)

1. Topic of thesis: **Increasing economic efficiency of economic activity of LLC "B2b Soft"**

approved by the Rector order of **12/10/2019, № 2263/cm**

2. Deadline of thesis: **from 19/10/2019 to 09/02/2020**

3. Initial data for thesis: **accounting reports of LLC "B2b Soft", charter of the company, Balance (form №1), Repost of financial results (form №2), printed professional scientific sources, profile websites**

4. The contents of the explanatory note (list of issues to be developed):

Required: to study and analyze the essence and components of the efficiency concept, contemporary concepts and approaches to its assessing as well as indicators of the assessment of financial and economic efficiency of enterprise operations; to carry out the analysis of financial and economic activity of LLC "B2b Soft" and to estimate profitability of enterprise activity and its tendencies; to recommend main strategic directions of development LLC "B2b Soft", to develop business strategy and to carry out calculation of the economic effect of strategy implementation.

The list of required graphic material:

Theoretical part: tables – 1; figures – 6; formulas – 14

Analytical and research part: tables – 8, figures – 2; formulas – 5

Project and advisory part: tables – 7, figures – 3

SCHEDULE

№	Stages of completion of the diploma project (work)	Stage deadline	Note
1.	Gathering and conducting analysis of financial statements of LLC “B2b Soft”	14.10.2019 – 25.10.2019	Done
2.	Determining the essence of the enterprise efficiency and analysis of its relationship with profitability of its activity and current business strategy within outsourcing corporate strategy	25.10.2019– 14.11.2019	Done
3.	Formulating main strategic directions on a corporate level	till 15.11.2019	Done
4.	Drawing up of a list of sources used for development of business strategy of LLC “B2b Soft”	till 19.11.2019	Done
5.	Preparation and design of the analytical-research chapter of diploma	till 15.11.2019	Done
6.	Preparation and design of the theoretical chapter	till 22.11.2019	Done
7.	Developing business level strategy of LLC “B2b Soft” based on corporate level outsourcing strategy, calculations of the basic economic effect	till 11.12.2019	Done
8.	Registration of project-recommendation chapter of diploma work	till 25.12.2019	Done
9.	Final design of the diploma work (content, introduction, conclusions, appendices, etc.)	till 15.01.2020	Done
10.	Preparation of presentation and report	till 02.02.2020	Done
11.	Signing of necessary documents in the established order, preparation for defense of the diploma work and preliminary protection of the diploma work at the graduating department	till 09.02.2020	Done

Student _____ (Mgbeahurike Chisom J)

Scientific adviser of Master Thesis _____ (Razumova K.M.)

ABSTRACT

Abstract for the thesis “Increasing economic efficiency of economic activity of LLC “B2b Soft” consists of 101 pages and 106 sources.

The purpose of the first section of this work is theoretical and methodological approaches to the definition of efficiency of an enterprise.

The object of this study is economic efficiency of LLC “B2b soft”.

The subject of the study is the methods of increasing economic efficiency of economic activity of LLC “B2b Soft” within suggested business strategy.

The purpose of the study is to formulate main strategic directions of strategic development, suggest strategies within an outsourcing orientation of business level strategy after analyzing factors of external organizational environment.

In the thesis efficiency of economic activity of the enterprise was analyzed.

The research methods are general scientific methods, namely: system analysis, inductive and deductive methods of analysis, analysis and synthesis.

The findings indicate main results of the study and give specific proposals for implemented tasks set for thesis.

Key words; efficiency of operations, effectiveness of economic activity, Strategy, business strategy, SWOT analysis, outsourcing

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INTRODUCTION

The term "effectiveness" is universal. It is used in all spheres of human activity: economics, politics, science, technology, culture. In terms of meaning, effectiveness is associated, firstly, with the effectiveness of the work or action, and secondly, with profitability, that is, the minimum amount of cost to perform a given work or action. Efficiency alone is not able to comprehensively characterize effectiveness, since a result can be achieved, but not the best. Efficiency also does not characterize efficiency, since there may be minimal costs with poor results. Therefore, under the effectiveness refers to the level (degree) of the effectiveness of the work or action in comparison with the costs incurred.

In theoretical studies of the concept of "enterprise" by G.B. Kleiner is represented as a network of cross internal and external expectations, which determines the role of the enterprise in the economy, in general, and in the processes of emergence, spread and functioning of institutions, in particular. In reality, all these structures interact with each other and produce effects, for the management of which it is necessary to apply strategic planning, which should be an integral internal function of the enterprise.

The effectiveness of the organization is determined by a number of indicators. Assessing the effectiveness of a company only by its economic achievements – for example, by the profit received as a result of activity – is not enough. Objective (economic) indicators include performance, labor productivity, manufacturing productivity, profitability and environmental friendliness, energy intensity. The second block includes subjective parameters on enterprise efficiency (psychological, physiological, socio-psychological).

To measure the economic efficiency it is necessary to take into account the diversity of valuation according to the positions of subjects that are associated with the operation and existence of the company. Such subjects are owners, managers or customers. Owners consider the business effective, if it is able to reach the maximal appreciation of employed capital in the shortest time possible. Customers prefer companies with quality products at a price corresponding to their requirements.

Managers, sometimes simultaneously in the position of an owner, evaluate the efficiency of business according to the level of prosperity, market stability, the level of economy and productivity, current status and future trends of cash flows, liquidity, reaction time at changes of the external environment

Nowadays outsourcing is a common part of any fast growing business. The Ukrainian IT market is showing steady growth from year to year. According to PwC's analysis, the domestic IT market has recently increased 2.5 times. It has increased by 150% during 2011-2015, and is projected to reach \$ 5.7 billion by 2020. IT share in the country's GDP was 4% in 2018.

Ukraine is a leader among outsourcing countries in Europe thanks to its high concentration of talented and educated people in many areas, including IT. That's why it was chosen an outsourcing location for an IT and support department of the USA-based "Corporation B2b Soft".

The purpose of the first section of this work is theoretical and methodological approaches to the definition of efficiency of an enterprise.

The object of this study is economic efficiency of LLC "B2b soft".

The subject of the study is the methods of increasing economic efficiency of economic activity of LLC "B2b Soft" within suggested business strategy.

As part of this thesis, the following tasks were set:

1) Explore theoretical aspects of efficiency concept and its classification, provide the difference between efficiency and effectiveness, study contemporary concepts and approaches to assessing the efficiency of an enterprise activity based on market economy approach, list indicators of the assessment of the financial and economic efficiency of the operation of the enterprise;

2) Analyze the current position of the company LLC "B2b Soft", its financial performance and current profitability, as well as the portfolio of services;

3) Formulate main strategic directions of development for parent company, make analysis of organizational environment of LLC "B2b Soft" and then develop business strategy with calculation of the economic effect of strategy implementation.

The thesis consists of introduction, three chapters, conclusions, list of references and appendices.

In the first part the essence and components of the efficiency concept are studied, contemporary concepts and approaches to its assessing as well as indicators of the assessment of financial and economic efficiency of enterprise operations are analyzed.

In the second part characteristics of LLC “B2b Soft”, its main products, organizational chart and main indexes of its activity are given the analysis of financial and economic activity of LLC “B2b Soft” is implemented and profitability of enterprise activity and its tendencies are observed.

In the third part main strategic directions of development LLC “B2b Soft” are recommended, business strategy is developed and calculation of the economic effect of strategy implementation is carried.

From literature and scientific sources in this work, studies of domestic and foreign scientists were applied: V.G. Andriychuk, I. O. Blanc, O.S. Vihansky, N.A. Volkova, I. K. Thrush, M.I. Zverekova, A. I. Kovaleva, L. O. Ligonenko, N.O. Lokhanova, E.V. Mnykh, O. Tereshchenko etc.

The research methods are general scientific methods, namely: system analysis, inductive and deductive methods of analysis, analysis and synthesis.

The thesis consists of three sections and is written on 91 page. The work contains 11 figures, 16 tables, 2 appendices.

The practical significance of the thesis is that the study contains practical recommendations for development of business strategy for the enterprise and evaluation of its efficiency in business environment.

PART 1. THEORETICAL ASPECTS OF EVALUATION OF EFFICIENCY OF ECONOMIC ACTIVITY OF THE ENTERPRISE

1.1. The essence of efficiency and its classification

Business owners often make decisions that fundamentally affect their long-term competitive position, efficiency and profitability. Daily managers of various function levels accept hundreds and thousands of decisions regarding seemingly slight problems of the organization in general. At the same time, every such a decision, especially relating to the activity of the whole structure, should be clearly justified. Such a need stems from the fact that every decision leads to certain consequences. If there is a need to make a decision relating to the future of the enterprise (e.g., embodiment, reorganization, etc.), it should be based on the data of the entire structure. And that is generally very difficult to do. Many factors complicate the possibility of comprehensive evaluation of the company's activity. At the same time, analysis of basic indicators will provide the specialist with some directions according to which the priority of the analysis can be indicated and appropriate management decision can be made.

Analysis of financial and economic activities makes it possible to design necessary strategic and tactical plan for the enterprise development, revealing its reserves of production efficiency increasing. The formulation of a strategy to achieve those objectives is of a crucial importance. Strategic management is basically a dynamic process that helps the company to avoid future obstacles. It is necessary because it includes the setting up of corporate goals, motivation, organization, and determination of standards of economic efficiency of enterprises. Business strategy, however, only shows the way how to achieve the objectives; measures of economic efficiency are only the means that makes them easier to achieve. [12, 14, 56,]

The effectiveness is a functional feature of the enterprise. It reflects the overall rationality of its activities as a dedicated system that works effectively only on the basis of secure relationships with others. [47, 2] Efficiency is a relative value representing the ratio between the final effect and the resources used to create this effect. Efficiency can be characterized as a unitary effect of sources respectively costs. [3, 12] Achieving economic efficiency is therefore the main objective in the implementation of economic and financial activities of the company. It becomes an increasingly important aspect of business processes. [14] The effectiveness of the enterprise is expressed using evaluation of inputs and outputs [52]:

- inputs are factors of production that have been employed into the enterprise or are consumed in the enterprise. Employed factors of production are expressed as the amount of capital consumed by production factors such as cost of business.

- the output is the output produced for a certain period. Several quantitative indicators are used, most of them are expressed by the volume of production, which is considered as a natural output of the company, or is expressed by value indicators of revenue, sales, value added, etc. The profit is considered to be the main financial output.

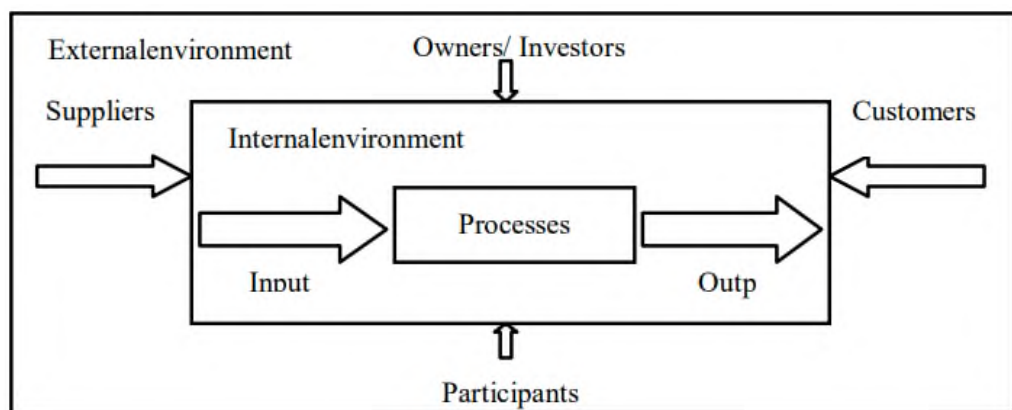


Fig. 1.1. External and internal business environment

While measuring and managing economic efficiency, it is necessary to reflect the influence of internal and external business environment. The internal environment is to transform inputs into outputs. Consideration shall also be taken to the external

environment that affects the performance of the company – the involved subjects are suppliers, customers, investors and other persons participating affecting the economic efficiency of enterprises. The internal environment can be simply defined in terms of three significant variables inputs, outputs and processes. Economy, efficiency and effectiveness are the top criteria of rationality of economic resources employed. All three aspects of economic efficiency are interrelated, interdependent, yet are characterized by specific features. Economy is measured as a relation to the input costs, efficiency is related to the actual process of transformation of business processes and the social effectiveness of production is associated with business processes Economy is generally referred as an aimed action to minimize the resources spent, especially financial resources. From the perspective of business management it is important to maintain a low financial cost, hence the low resource consumption.

As a revealing of efficiency competition theory was first generalized by Adam Smith and later supplemented by D. Abel, G. Hamel [13], D. Ricardo [39], K. Andrews, R. Eshenbach, P. Zeng, R. Coase, K. Christenson, F. Edgeworth, B. Olin, E. Chamberlin [73], F. Heckscher, R. Solow, J. Schumpeter [66], and F. Hayek [72]. More recent works on competitiveness in the marketing management subsystem are presented by the following authors: J. Lamben [32], I. Ansoff [9], F. Kotler [30], P. Drucker, A. Weissman [16], R. Kaplan, D. Norton [68], A. Thompson [82], A. Strickland [69], K. Prahalad [55], R. Waterman [89], G. Hemel [44] and others. The theoretical generalization of the historical development of the competitiveness of the business unit was made by R. Pace and E. Stefan.

Within the framework of structuring the concept of competitiveness on the basis of Western developments, there are two main campaigns:

1. Competitiveness is viewed in terms of performance.
2. Competitiveness is considered in terms of its relationship with the performance of the business unit.

In the writings of I. Ansoff [19], the planning of competitive strategies is regarded as a multifactorial process that takes into account such driving forces of competition as the dynamics of behavior of individuals and groups of people, political changes and

culture of the organization. The concept of competition, the assessment of the competitiveness of the company, methodology for the formation of competitive strategies are considered in the works of A. Weisman [16]. He argued that a competitive strategy is a major factor in competition.

Efficiency in its general form indicates the effectiveness of resources employed and benefits they earned. In other words, the efficiency can be expressed as the ratio of output and input of any process, activity or system. In case of a company it is a ratio of the quantity and quality of the final product and the amount of resources invested in the production process. The effectiveness generally refers to the ability to produce the desired utility. Rating utility takes place at the output level of the final products. Effectiveness is therefore usually the assessment of whether an organization does not produce useless, unwanted or unimportant products.

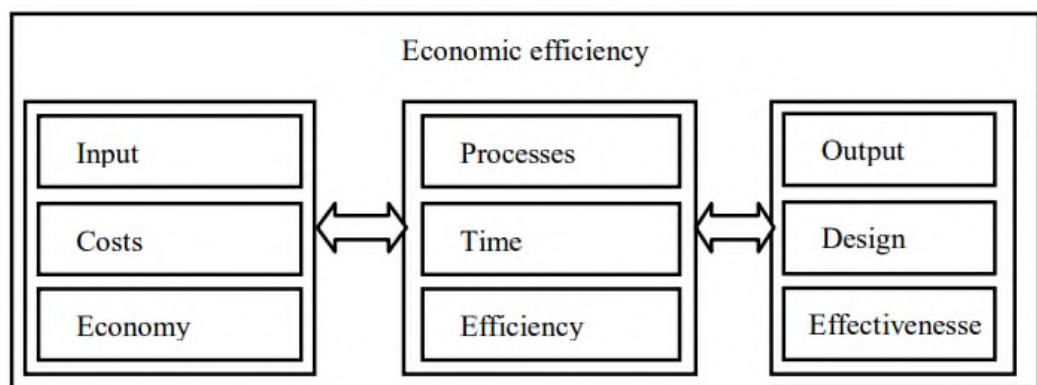


Fig. 1.2. Aspects of economic efficiency

Economic efficiency examines the absolute size of indicators, economical use of resources embedded in business processes, efficiency of business processes and effectiveness of products.

Measurement and management of economic efficiency should be based on a system of mutual merging of internal and external view of economic efficiency. A view of customers, competitors, financiers, suppliers and possibly other person is included in the external environment of the company. Economic efficiency of internal business

environment can be seen from the perspective of the business owner and manager. Each area may be divided with respect to the sub-processes.

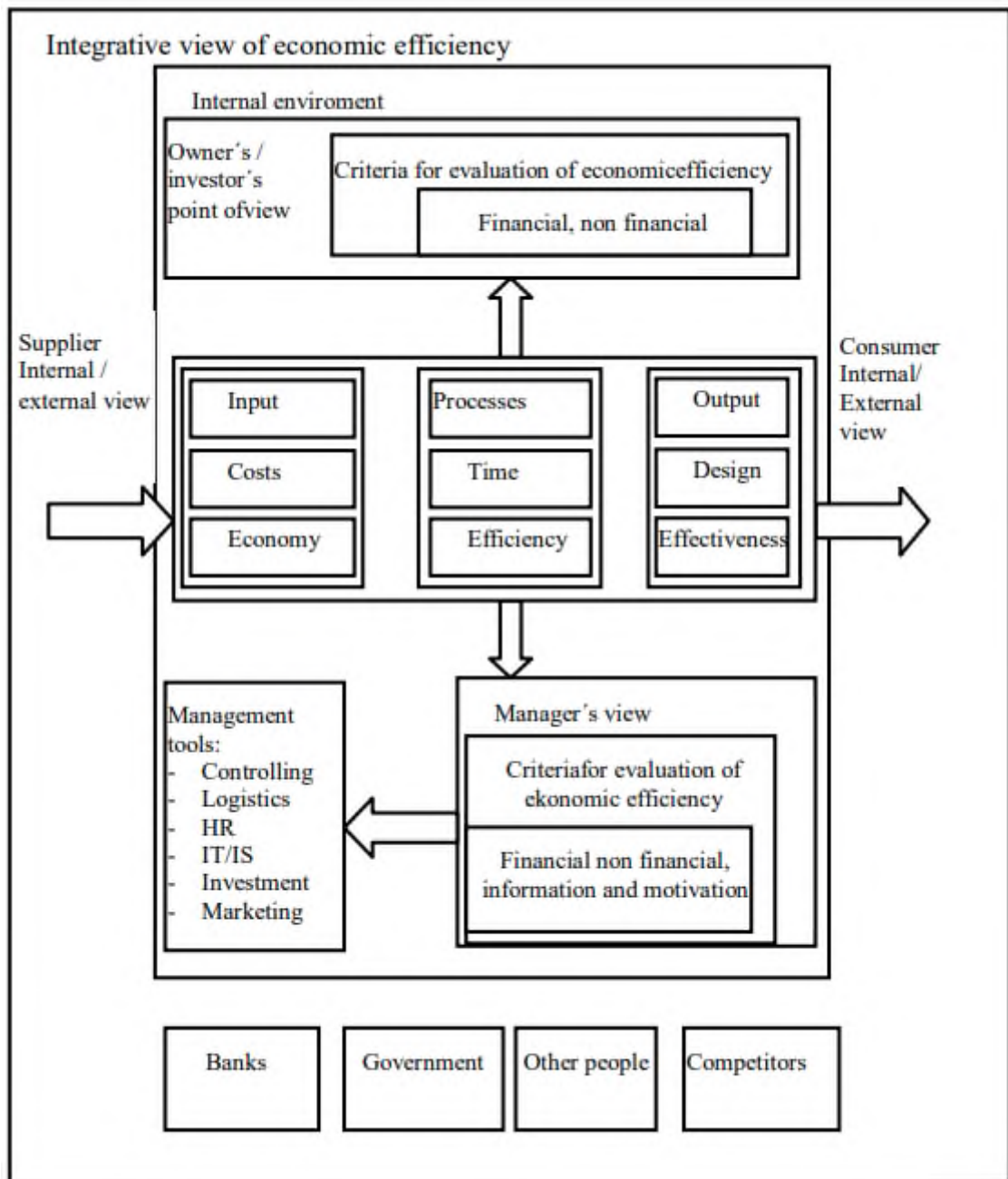


Fig. 1.3. System of measurement of economic efficiency of enterprises

Economic efficiency is characterized by quantification of all business activities with the resulting effect. Incurred inputs and outputs achieved are compared mutually. Inputs entering into a business process are labor, work items, work equipment and information. Inputs are transformed into individual output process in interaction with

time, space and company environment. Outputs are products, services, information and waste.

In his book "Enterprise Economy" Xavier Richet [28] showed that profitability comprises a set of synthetic indicators which allow the assessment of the extent to which the enterprise values the production factors it uses. For all the categories of economic activities and resources involved or consumed the economic effects are finally mirrored in the profit obtained by an enterprise. The analysis of an economic system's degree of development, its capacity of survival, its final development direction is based on accurately defining and measuring economic efficiency. Economic efficiency is a modern concept of assessing an activity and it is used for grounding decisions so that the available resources should be used in the most favorable way for the enterprise. But, as professor D. Margulescu [52] points out, the content of economic efficiency is much richer and larger. Economic efficiency is a general category characterizing "the results generated by different variants taken into account for using (productive consumption, individual consumption, sale) or saving up resources (human, tangible or financial assets) involved or not involved in the economic circuit. Profitability is defined as a company's capacity to obtain profits from sales which should exceed the expenses incurred for financing the activity costs. In the market economy profitability is the most important indicator of economic efficiency. It is obvious that the variant with the highest profitability will be preferred when making an economic decision.

It should be noted that today there are no clear boundaries between the concepts of "efficiency", "production efficiency", "efficiency of the enterprise" [43, 44, 58]. Often, when defining a particular type of performance, authors do not fully disclose the nature of the approach to it. Here is a classification of types of enterprise efficiency (Table 1.).

Economic efficiency is a more complex category than profitability. It has a much larger scope than profitability, as it involves the whole system of indicators which reflect the specific forms of economic efficiency, a system grouped in subsystems among which the sub-system of profitability indicators.

Table 1.1

Classification of types of enterprise efficiency

Classification feature 1	Types of efficiency 2
Depending on the type of resources or costs expended	Resource; expendable
Depending on the type of resources expended	Use of labor resources; fixed assets; material resources, etc.
Depending on the scope of the performance	Economic; social; organizational; techno-logical; legal; psychological; political; ethical; ecological
Depending on the interaction of the system with the environment	Internal; external
Depending on the goal	Needed; effective; expendable
In terms of time	Static; dynamically
Depending on the type of results	Intermediate; finite; mixed

Profitability is an instrument grounding all decisions regarding the internal enterprise management as well as the enterprise's relationships with its business partners, acquiring thus the status of an essential criterion used for assessing economic efficiency (Cojocaru, 2000) [18]. Profitability represents the fundamental criterion of assessing the efficiency of an economic activity, its value reflecting the relation between the efforts made and the results obtained by the enterprise. Profitability expresses an enterprise's capacity to generate profit, that is to cover the expenses by incomes and to obtain a surplus value represented by the profit. Profitability may also be defined as an enterprise's capacity to obtain profit by using the production factors and capitals, regardless of their source.

1.2. Contemporary concepts and approaches to assessing the efficiency of an enterprise

Historically, the measurement and management of economic efficiency shows the evolution from traditional approaches based on measurement of financial metrics to modern approaches of measuring the value for the owner and shareholder. Theoretical and practical field of measurement and management of economic efficiency have been extended in recent years by a variety of methods and approaches, such as the Balance Scorecard, QFD, Kanban, EFQM and more. The disadvantage of current approaches to be used in small and medium-sized enterprises are unaffordable sophisticated tools used to measure and manage economic efficiency, high cost of implementation, operation and updating. The main disadvantage is the unavailability of methodologies of implementation and the predominance of non-financial measures. For this reason, small and medium-sized enterprises still prefer approaches which are mainly focused on financial measures.

There are five the most formalized approaches, and on their basis a number of key indicators are derived that allow to get the most complete picture of the financial and economic condition of an economic entity when it is examined for operational efficiency. The first approach is economic. When using this approach, the greatest importance is assigned to the effectiveness of resource management. Most often, the economic approach is used to determine the current effectiveness of the main activities of the organization. Efficiency is considered here as cost-effectiveness and physical performance – a definition proposed by costly and potential approaches. The most widely used valuation method for this approach is to determine profitability. The second approach takes as a basis the comparison of costs with the effect of cash flows. The financial approach has always been used to assess the effectiveness of investment. Subsequently, the methods proposed by him were also applied to the assessment of business activities in general. The third approach is based on the creation of a company's market value, reflecting the strategic goals of management, namely, meeting the needs of all interested parties and maintaining a balance of interests. The

company's market value is used as a comprehensive indicator, and primary profitability here is only one of the factors that influence the value of a business. The fourth approach - the process one - is based on strengthening cooperation between the subjects of management, intensification of relations between them. The processes taking place in the organization ensure the existence of the types of activities of the company, which in turn form indicators. And it turns out that if you improve the quality of the processes, then the final result will improve as a result. The fifth approach is a complex of all of the above approaches. He recognizes the entire proposed range of indicators - financial, cost, and non-financial - linking them and bringing them into a single system. The beginning of this approach in economic thought in the early 1990s was laid by the famous American scientists Norton and Kaplan with their concept of a balanced scorecard, which implies the organization of such a strategic planning system that would allow directing all the company's activities to implement strategic plans and decisions by solving everyday tasks. In this concept, special attention is paid to the responsibility of each individual link - unit, department, employee. For this, it is necessary to establish clearly defined strategic numerical indicators - KPI (key performance indicators). The advantage of the BSC is that it allows the company management to get a complete picture of the business, avoid critical situations, and also simplify the system of interaction between different organizational levels in the company.

Values of production consist mainly of realized products and services, output of business in relation to consumed production factors, which constitute the inputs. Relational defining of performance can be carried out through the following relationship:

$$\text{Efficiency} = \frac{\text{produced products and services}}{\text{production factors consumed}} \quad \text{or} \quad \text{Efficiency} = \frac{\text{input}}{\text{output}} \quad (1.1)$$

Quantitative calculation of effectiveness is based on a comparison of inputs employed and outputs achieved. Economic output and input categories can be interpreted differently. [6]

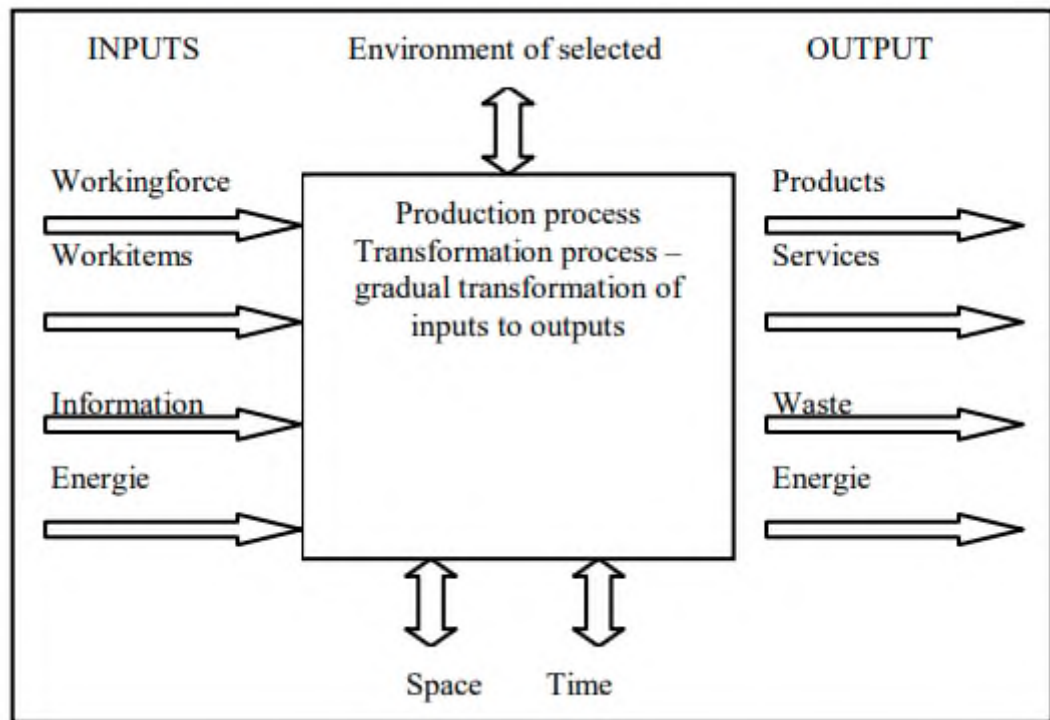


Fig. 1.4. Business process illustrating the transformation of inputs into outputs

Competitive environment of an enterprise is a dynamic external system in which an enterprise tries to compete [33]. The more vendors of a similar product or service, the more competitive the competitive environment is. The most obvious examples of elements in a competitive environment are a business's direct competitors, but other examples are regulatory sources, indirect competitors and social and technological changes.

Strategic uncertainty can be caused by distorted information and push senior executives toward a situation called equivocality (Daft and Macintosh, 1981) wherein different actors use different frames to interpret the same information (Weick, 1979).

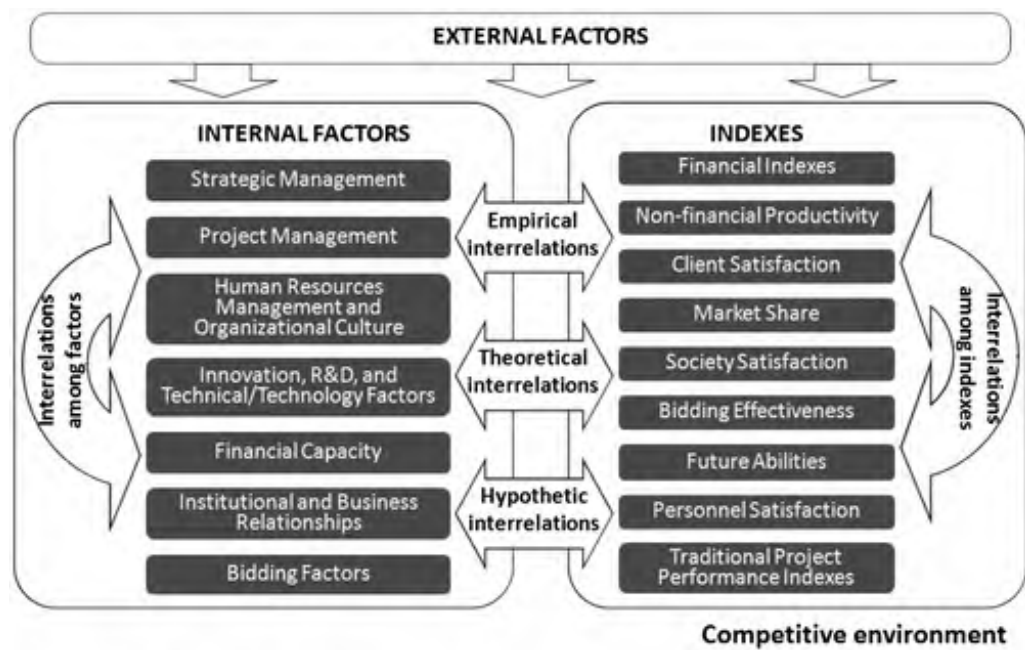


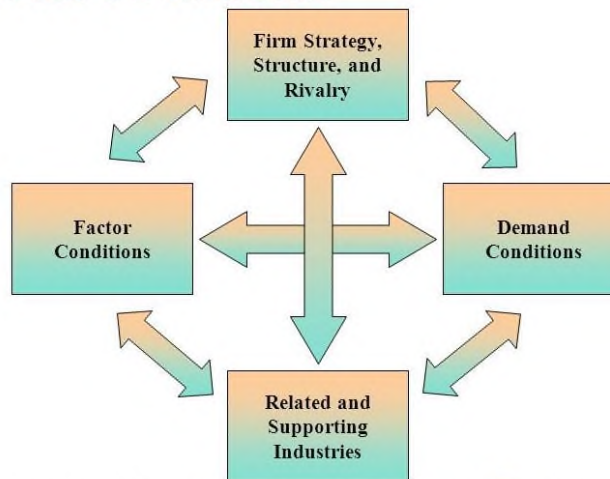
Fig. 1.5. Competitive environment of an enterprise

Porter's Five Forces is a business analysis model that helps to explain why various industries are able to sustain different levels of profitability. The model was published in Michael E. Porter's book, "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980. The Five Forces model is widely used to analyze the industry structure of a company as well as its corporate strategy. Porter identified five undeniable forces that play a part in shaping every market and industry in the world, with some caveats. The five forces are frequently used to measure competition intensity, attractiveness, and profitability of an industry or market.

Porter's five forces are:

1. Competition in the industry
2. Potential of new entrants into the industry
3. Power of suppliers
4. Power of customers
5. Threat of substitute products

Firm Level Competitiveness – Porter's Diamond



Source: *International Business : Environments and Operations*, Daniels and Radebaugh

Fig. 1.6. Porter's Five Forces, [44, p. 46]

The first of the five forces refers to the number of competitors and their ability to undercut a company. The larger the number of competitors, along with the number of equivalent products and services they offer, the lesser the power of a company. Suppliers and buyers seek out a company's competition if they are able to offer a better deal or lower prices. Conversely, when competitive rivalry is low, a company has greater power to charge higher prices and set the terms of deals to achieve higher sales and profits.

A company's power is also affected by the force of new entrants into its market. The less time and money it costs for a competitor to enter a company's market and be an effective competitor, the more an established company's position could be significantly weakened. An industry with strong barriers to entry is ideal for existing companies within that industry since the company would be able to charge higher prices and negotiate better terms.

Information sources for the assessment of economy, efficiency and effectiveness, thus overall economic efficiency of enterprises with subsequent management derive from the financial statements of financial accounting. It is a balance sheet, income statement and cash flow statement. These reports contain a summary of the progress

and success of economic activity and its impact on the financial situation of the company. [71]

Information sources contain two types of variables: [8, 9, 22]

- stock variables that characterize the size of each item on a particular day. They result from the balance sheet;
- flow variables that characterize the size of individual items for a certain period. They explained the change of stock variables at the end of a period compared to the beginning. They result from the profit and loss account and the cash flow statement.

The economic efficiency can be considered as follows: evaluation indicator of economy aimed at the allocation of inputs [60]. Costs may be linked to products directly or indirectly. Indicators of effectiveness indicate the intensity of use of inputs to outputs. These indicators are influenced by both cost efficiency, quality and time. They aim at measuring and controlling the final output (product or service) and have the task to verify its properties and customer satisfaction with the final outcome. Defining of indicators design is therefore based on the final output. In case of intangible output it is necessary to define product requirements. For these reasons, it is insufficient to use financial indicators, but it is necessary to use both financial and non-financial indicators.

Profitability is defined as a company's capacity to obtain profit from its economic activity, by using its resources and it represents an economic instrument which underlies all the company' decisions regarding activity management and relationships with the business partners; therefore it acquires the status of an essential criterion used for assessing economic efficiency. (Cojocaru, 2000).

Profitability, synthetically defined as the enterprise's capacity to obtain profit is considered a decisive instrument for the market economy mechanism, for shaping production according to consumers' needs. Profitability means obtaining an income from production sale that should exceed expenses. As a consequence profitability mirrors the efficiency of an enterprise's whole economic activity. Profitability is one of the most important forms of economic efficiency. Regardless of the types of economic activities and resources involved or consumed, the economic effects are

finally materialized in the profit obtained by an enterprise. Of course, profit and profitability characterize the economic efficiency of production at micro-economic level, in tight connection with other indicators used for measuring an enterprise's economic performance, such as: labour productivity, production quality, production costs, etc. From among these, labour productivity has the highest influence on profit and profitability. It leads to profit growth on the one hand by increasing the volume of production and on the other hand by decreasing costs per production unit.

Economic efficiency is a more comprehensive concept than profitability, as it is the most general category characterising the results generated by different variants of using or saving up resources involved or not involved in the economic circuit. Economic efficiency aims at minimizing resources accruing to a unit of effectiveness, and profitability is only a form of expressing efficiency. The concept of profitability has a relative character and that is why the analysis of profitability should take into account both absolute and relative indicators (obtained by calculating the ratio between the outcome and the means utilized for carrying out the respective activity. We can talk about profit when expenses are exceeded by income; profit is only a component part of profitability. Profitability is tightly connected to investors' professionalism, to time and financial and material resources invested in an economic activity.

It is important for business owners and managers to formulate appropriate indicators of economic efficiency and to follow and support the long-term strategic goals of the company.

1.3. Indicators of the assessment of the financial and economic efficiency of the operation of the enterprise

Successful management is hardly possible without setting the economic efficiency standards since the determination of economic efficiency based on measures affects all actions towards achieving the targets. The ability to assess economic efficiency is a highly esteemed competitive advantage in the period after the economic crisis, because it has a very important role in the company's success. All business

activities can be characterized by the economic efficiency quantifying the benefits of final effects in more practical terms. Economic efficiency [59, 68] is a term used to estimate the results of an economic activity comparing to the efforts involved in the respective activity. Economic efficiency is the main qualitative factor of economic growth, as it assures the absolute growth of the outcome at the same effort amount. Economic efficiency includes profitability, which is a general indicator for efficiency.

At the level of the enterprise economic efficiency bears the name of profitability and whether the ratio between the outcome and the effort is expressed as a percentage, it will bear the name of profitability rate. The key element of an enterprise's profitability is represented by profit which, in its different forms is taken into consideration when determining the different profitability rates. The objective of any enterprise is to obtain maximum benefits and to recover the invested capital in order to assure its development and the payment of investors (Zaman, Geamănu, 2006) [41]. The major objective of any economic entity is to increase the value of its own development as well as to increase the wealth of the stakeholders (shareholders, employees, creditors, etc.). The achievement of this objective is conditioned by the carrying out of a profitable activity, by its capacity to generate incomes that should cover the expenses incurred by the respective activity and to lead to achieving a net income (Sighicea, Vasilescu, 2009). Profitability represents an important criterion on which decisions made at micro, mezo and macro economic levels are based. Profitability also bears the name of profitatbility rate and in the market economy it is the most important economic efficiency indicator. Profitability is calculated as the ratio between the profit volume and its associated costs, turnover or capital used (production costs). Profitability is one of the most synthetic indicators used for expressing the efficiency of the enterprise's whole economic and financial activity, respectively of all the production means used and of the labor force in all the stages of the economic circuit: procurement, production, sale (Moroşan, 2006).

The calculation of profitability is based on two indicators: profit and profitability rates. The profitability indicators – both the operational ones and those used for its diagnosis analysis are expresses in absolute and relative values. The profitability

absolute value is reflected by profit (a volume indicator) while the degree to which the company's resources and capital generate profit is reflected by the profitability rates (an indicator of relative values of profitability) [84, p. 34, 90].

Profit is a volume indicator of profitability, and profitability rates reflect the relative value of profitability, being an indicator which measures the degree to which the capital or the use of the enterprise's resources generate profit. Profit reflects the appropriate administration of the resources used in the economic activity and its main components are the incomes and the expenses generated by the respective economic activity. According to the present system of planning and economic-financial administration, the profit is conceived as having a double role:

1. Gross profit calculated as the difference between total income and total expenses of the enterprise;
2. Net profit which remains at the disposal of the enterprise for being divided according to the stipulated purposes (Sighicea, Vasilescu, 2009) [39].

The gross profit allows the carrying out of certain analyses not only at the level of overall enterprise activity as net profit does but also for the three types of activities and for each product of the enterprise. The profit constitutes the maximum point of interest in most financial analyses. All the other rates are used for making decisions whose final result is profit maximization.

Profitability, as a form of economic efficiency may be expressed by using profitability rates. The profitability rates are a synthetic reflection of enterprises' economic and financial characteristics and express their efficiency in the activity of obtaining profit by using the available resources (Sighicea, Vasilescu, 2009). The most commonly used indicators of profitability are return on sales (ROS), assets (ROA), equity (ROE).

1. Economic efficiency is typically measured as the ratio between profit (before taxes, respectively after tax) and the average amount of either total invested capital (ROA), or equity employed (ROE).

Return indicates how large the return flow of money is in proportion to the capital used for business activities. At the same time return gives the company

investors important information and enables comparison with alternative forms of deposit money. Return on equity expresses a measure of appreciation of own resources. It measures how much net profit is attributable to one crown of capital employed. The basic equation is as follows:

$$ROE = \frac{\text{Net profit}}{\text{Equity}} \quad (1.2)$$

Profit is the difference between revenues and costs respectively capital increase from the economic activity of the business. It is the most synthetic one of value indicators and criteria of business. Net profit for the period EAT (earnings after tax) specified in the numerator of ROE indicator is intended for distribution to owners and business development. It can be received as the sum of operating income and extraordinary income minus income tax. The capital is a production factor with a form of physical capital (buildings, machinery, supplies, etc.) and human capital. The accumulation of capital in addition to technical progress is the main factor of economic growth. Capital is also a residual item of the assets of business after deducting its liabilities. It is synonymous with the net assets.

The rate of profit calculated on equity is an indicator whether capital has sufficient yield, ie whether it is used with an intensity corresponding to the size of the investment risk. Investor understandably requires that the price he receives from the company for the capital (dividends from shares share from invested deposit, etc.) was higher than the price that would be received in any other form of investment (eg by buying bonds, saving money on financial institution, etc.). This requirement is justified because the investor, who put his capital into equity firm, carries a relatively high risk. If the value of long-term ROE is less than or equal to the yield of securities guaranteed by the government (treasury bills, government bonds, etc.) the company will probably fail. Rational investor in such case will seek to invest his capital in a more convenient and more profitable way.

Return on equity is the result of the combined effects of liquidity, asset management and debt management.

$$ROE = \frac{Net\ profit}{Equity} = \frac{Net\ profit}{Revenues} \cdot \frac{Revenues}{Assets} \cdot \frac{Assets}{Equity} \quad (1.3)$$

The equation indicates that the management company has three tools to increase ROE with its management:

1. The profit margin - the ratio of net profit per unit of sales. It reflects the company's pricing strategy and ability to control operating costs. A high profitability of sales is mostly the result of good cost control and efficiency in spending of resources and consumption of capital. Profit margin and asset turnover tend to inverse relationship (companies with high profit margins typically achieve low turnover and vice versa).

2. Asset utilization measured by the ratio of sales per unit of assets - can be called asset turnover, therefore the company's ability to use the total assets of the company. The more is the capital capable to produce sales the better. High turnover is a sign of efficient use of capital, or assets which company manages.

3. Leverage – the amount of equity used to finance assets. Increasing the share of foreign capital in the total capital of the company has a positive effect on ROE under the condition that the company can add a value to every crown of debt and this value is higher than the interest rate of debt. Asset turnover and financial leverage tend to inverse relationship (a company with a low turnover of assets using debt financing)

ROE is generally considered to be the main financial indicator of the business effectiveness, its evaluation must be cautious, as there are three problems related:

1. The problem of time (some activities, such as introducing a new product, cause an increase in costs and thereby reduce the value of ROE, but will grow in the coming years),

2. Problem of the risk, which is ignored by ROE (in general, the higher the risk, the higher the required value of ROE,),

3. Problem of assessment, since it calculates the accounting (historical) values rather than market values, which are crucial for investors.

Despite all the shortcomings ROE analysis is widely used in practice. It represents on the basis of a systematic work with reports a simple concept to identify problem areas in the management of enterprise economic efficiency and their subsequent correction.

There are factors influencing on the economic profitability rate. For the capital suppliers, both the economic profitability rate evolution and the action of the various influencing factors which determine the administration efficiency of the patrimonial elements which a firm has at its disposal are important.

1. A first analysis possibility is due to the interaction model between the commercial profitability (R_{com}) and the rotation of the total assets (advanced resources) (Vâlceanu et al., 2004).

$$R_{ec} = \frac{Pr}{AT} = \frac{Pr}{CA} \cdot \frac{CA}{AT} = R_{com} \cdot NrAT \quad (1.4)$$

where: Pr – represents the profit;

AT - total assets;

CA - turnover;

$NrAT$ - rotation number of the total assets through the turnover.

The analysis relation highlights the fact that the efficiency of using the firm's patrimony within the economic activity depends on the efficiency of commodity trading (influence factor of quality type) and on the rotation speed of the patrimony (quantity influence factor).

2. The analysis model of the profitability rate which illustrates the influence of the commercial profitability and of the invested capital rotation is the following:

$$R_{ec} = \frac{Pr}{CI} = \frac{Pr}{CA} \cdot \frac{CA}{CI} = R_{com} \cdot NrCI \quad (1.5)$$

in which: CI - represents the capital invested in the business;

$NrCI$ – rotation number of invested capital through the turnover indicator.

Product profitability (Pp) describes the cost effectiveness of its production and marketing. It is determined by the formula:

$$Pp = Pr / Cpr \quad (1.6),$$

where Pr - profit from sales of products for a certain period;

Cpr - prime cost of sales.

Product profitability can also be calculated as a ratio of profit to volume of sales. It is in this form that this indicator is used in foreign practice.

In multinomial production, along with the profitability of all products, the profitability of its individual varieties is also calculated.

Business activity of the enterprise is a rather broad concept and covers almost all aspects of its work. Specific indicators here are the turnover of assets and inventories, the amount of receivables and payables.

Asset turnover (ATR) is an indicator of the number of revolutions of an enterprise's assets over a certain period (mainly per year),

$$\text{Asset Turnover Ratio} = \frac{\text{Revenue}}{\text{Assets}} \quad (1.7),$$

where Revenue - revenue from all activities of the enterprise for a certain period;

Assets - the average value of assets over the same period.

Under these conditions, the average duration of one assets turnover (t_{ATO}) will be:

$$t_{ATO} = D_{cal} / ATR \quad (1.8),$$

where D_{cal} - is the number of calendar days in the period.

Inventory turnover (ITO) is expressed by the number of revolutions over a given period:

$$ITO = P_r C / I \quad (1.9),$$

where $P_r C$ - the total cost of sales for a certain period; I - the average value of stocks in monetary terms.

The activity of the company in the field of settlements with partners is characterized by the average terms of payment of receivables and payables.

The average term of payment of receivables by buyers of products of the enterprise (T_R) is calculated by the formula

$$T_R = R * D_{cal} / S \quad (1.10),$$

where R - receivables (debts) of buyers;

D_{cal} - number of calendar days in the period for which the indicator is calculated (year - 360, quarter - 90);

S - sales volume of products for the accounting period.

During the period, the payment requirements of the enterprise to the customers are converted into money. It is clear that reducing this period is cost-effective and that proceedings (against the deadline or last year) are undesirable and need to be explained.

The average payback period for suppliers (t_{RP}) is determined by the ratio:

$$t_{RP} = P * D_{cal} / P_M \quad (1.11)$$

where P – the amount of accounts payable to suppliers; P_M - the volume of purchases of raw materials for the accounting period in monetary terms.

Otherwise, the reduction is not considered positive for the enterprise, since it requires additional funds. Instead, the increase in the payback period can be due to various reasons: deterioration of the payment terms for the enterprise, lack of funds, delaying payment in order to use the payables as a source of financing, etc.

The financial stability of the enterprise is characterized by the ratio of equity and attracted capital. Different indicators are used for this purpose, which are called coefficients. Among them, the most common are the coefficients of autonomy and debt security.

The ratio of autonomy (R_A) is calculated by dividing the equity by the total balance of the enterprise [33]:

$$R_A = E / B_F \quad (1.12),$$

where E - the equity of the enterprise;

B_F - balance sheet total (the sum of all sources of financing).

Debt security ratio (DSR) is a modification of the first indicator and is defined as the ratio of equity to equity, i.e.:

$$DSR = E / D_F, \quad (1.13),$$

where D_F – is the debt of the enterprise (raised capital).

Unfortunately, the analytical estimation of the financial condition of an enterprise on the basis of such coefficients is not always straightforward. Of course, reducing the share of debt in total capital strengthens the financial independence of the enterprise. However, at the same time, the sources of funding and opportunities to increase the effectiveness of its activities are narrowing.

Under certain conditions, loans are profitable. This is where the effect of the so-called financial leverage is expressed, which is expressed by the ratio of debt to equity. When the loan payment is less than the tax return on assets, an increase in debt (an increase in the ratio) leads to an increase in the return on equity. Thus, borrowing in this case is a financial lever (leverage) to increase the efficiency of the enterprise.

The solvency of an enterprise, that is, its ability to timely settle its debt, is determined using liquidity ratios. They show the extent to which short-term liabilities are covered by liquid assets. And since current assets have different liquidity, so are several liquidity ratios - total, fixed and absolute.

The overall liquidity ratio (*OLR*) is the ratio of current assets (sections II and III of the asset) to short-term liabilities (section III of the liability) [33]:

$$OLR = CA / P_{sh} \quad (1.14),$$

where *CA* - current assets of the enterprise; *P_{sh}* - short term payables.

If $OLR < 2$ then the solvency of the enterprise is considered low. If it is too high ($OLR > 3-4$), it may be doubtful how efficient it is to use current assets. The optimum value is significantly affected by the share of inventories in current assets. For enterprises with small inventories and promptly paid accounts receivable, a lower ratio of current assets to short-term debt is acceptable and, conversely for enterprises whose current assets account for a large proportion of inventories, this ratio should be maintained at a higher level.

The main goal of the owners and managers of companies should be the constant increase of economic efficiency, and the identification of the main factors influencing the effectiveness and a subsequent implementation of findings in the activities of the company with maximal utilization. Using the appropriate measures leads to the right decision, therefore increasing economic efficiency, and thus to increase the company's competitiveness. For modern Ukrainian enterprises, one of the main problems of successful operation is to find ways to improve the system of financial and economic activity from the standpoint of increasing the controllability of their level of profitability, given the changing turbulent economic conditions of their environment.

PART 2. EVALUATION OF EFFICIENCY OF ECONOMIC ACTIVITY OF LLC “B2B SOFT”

2.1 General characteristics of LLC “B2b Soft”

Outsourcing is a concept that means a set of measures aimed at transferring certain processes and functions by an enterprise to another organization professionally specializing in the field. Outsourcing also has a longer nature of interaction compared to one-time services that are requested more situationally. Thus making decision on outsourcing bears a strategic orientation. The customer gains access to the existing business process, individual systems and infrastructure of external companies, concentrating on conducting the core business in his company, increasing capacity with increasing market presence. Ukraine is steadily maintaining its 24th place in the TOP 25 of the global Global Services Location Index, GSLI, which has been done by American consulting company A. T. Kearney since 2004.

Outsourcing generates the development of the Ukrainian IT market. It is now the most developed area compared to other segments. According to various estimates, there are up to 4,000 IT companies in Ukraine, 85% of them are small and medium-sized companies with fewer than 80 employees. Most of the companies are located in the largest cities of Ukraine, including Kyiv (44.9%), Kharkiv (18.7%), Lviv (9.3%), Dnipro (8.2%), Odessa (5.5%) .

LLC “B2b Soft” works in IT outsourcing in Ukraine and is a subsidiary of American company. It was started in 2011. Specialization of B2b’s IT outsourcing is maintenance customer information systems: development, technical and operational support of software for POS. IT tasks implemented by LLC “B2b Soft” are divided into routine and strategic. Routine tasks are daily tasks that are solved according to previously thought out algorithms. The routine tasks include:

- user work support;
- database administration and company services;

- contract management for IT contractors and service providers;
- computer network service.

The solution of strategic IT problems is done on a level of parent US company – “Corporation “B2b Soft” providing management solution for wireless dealers on the USA market. It involves following functions:

- planning - to budget IT costs;
- development - scaling or differentiating an existing business, opening a new business;
- processes automation.

Focused organizational chart of IT department of LLC "B2b Soft" is displayed on fig. 2.1. It encompasses project team, IT solutions architect, help desk consultants and technical support department (Client CIO).

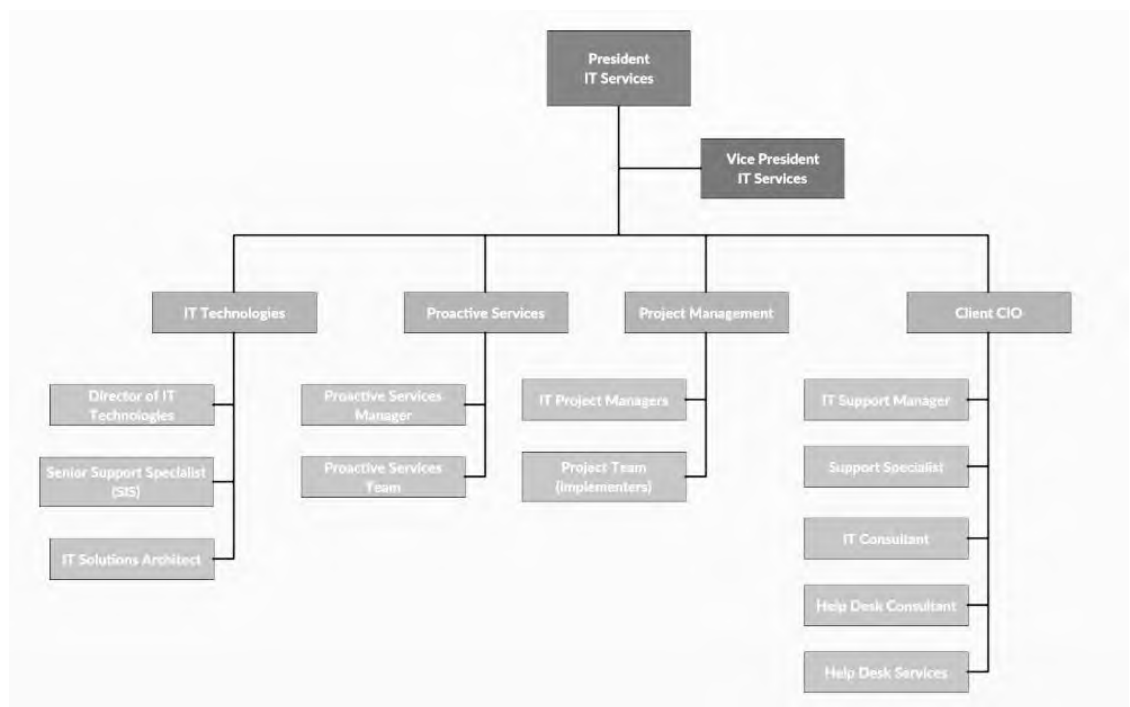


Figure 2.1. Focused organizational chart of IT department of LLC "B2b Soft"

Product of LLC “B2b Soft” is POS (point-of-sale) management solution for wireless dealers. A fully featured POS system for Boost Elevate Authorized Dealers has following features:

- SPG Sales Portal- full integration with the Boost Elevate Sales Portal, allowing for a seamless transfer of account information in to the POS. It increases productivity, eliminates double entry and enhances customer's experience:

- Boost Mobile® Feeds - receiving the latest Boost Mobile® Plans, options, promotions & compensation models directly into exclusive Boost Elevate POS;

- Epay Integration - streamline the sales process and save time through ePay and Web POS bill payments and activation;

- Commission Reconciliation - take control and save time with accurate reconciliation and intuitive management tools;

Ark Ideas Marketing Platform - the Boost Elevate marketing engine provides retailers with custom marketing and communication tools that drive traffic and sales;

- Ondigo Catalog - simply and quickly access Ondigo accessories through the Inventory Workcenter.

Similar structure belongs to other products of the company oriented on sales of wireless providers services. Boost Elevate has all the features cellular store needs (fig.2.2):

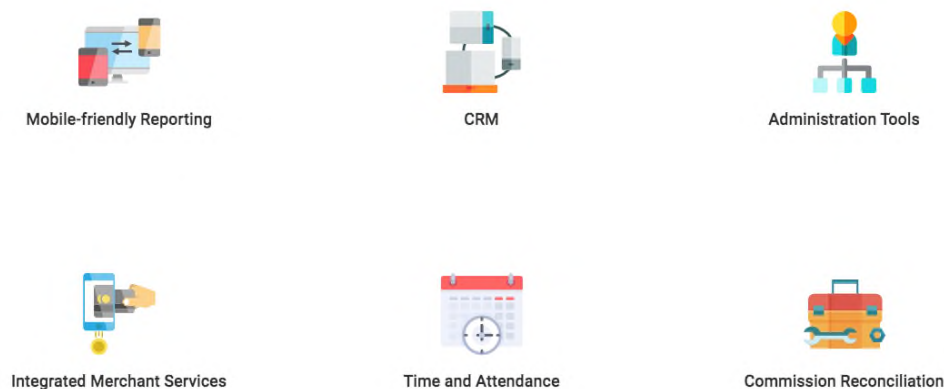


Figure 2.2 A complete wireless POS and marketing platform software solution

Internal users of financial information at LLC “B2B Soft” are managerial employees which its future financial status depends on. Main business activity indicators of LLC "B2b Soft" are given in table 2.1

Table 2.1

Key business activity indicators of LLC "B2b Soft"

Indicator	2016	2017	2018	Absolute difference 2018/2016 (+/-)
Revenue from sales of services, thsd. UAH	21743.82	21019.96	32877.69	11133.87
Cost of production, thousand UAH	18073.87	22133.60	24449.46	6375.59
Gross profit (loss), thousand UAH	3669.95	-1113.64	8428.23	4758.28
Average annual number of employees, pers.	82	98	117	35
Revenues from sales per 1 employee, thousand UAH	174,2	143,8	312,3	138,1
Net income (loss), thousand UAH	237,914	60,744	227,79	-10,124
Return on sales, %	16,9	-5,3	25,6	8,8

Analyzing the data in Table 2.1. it should be noted that in 2018, compared to 2016, the income from providing main and additional services on POS increased by 11133.87 thousand UAH. At the same time the cost of services increased by 6375.59 thousand UAH, which made it possible to obtain financial results at 4758.28 thousand UAH.

The number of employees has increased about 1/3 through 2016-2018, although their number is not high. Thus, in 2016, 82 people worked in the company, and in 2018 – 117 people. At the same time, labor productivity has increased. In 2016, 174.2 thousand UAH was produced per employee, and in 2018 - 212.3 thousand UAH. The profitability of services sales has also increased. Its value increased by 8,8 points in 2018 compared to 2016.

2.2. Business analysis of LLC “B2b Soft”

Enterprise property condition is characterized by indicators that allow to estimate the value and structure of its property. The amount of assets at enterprise disposal gives an overall estimate of assets on enterprise's balance sheet. For a deeper analysis of assets ratio of fixed and current assets, dynamics of inventories, work in progress, finished goods, cash, accounts receivable and quality of current assets are estimated.

An increase of non-current share assets in the total value of assets may indicate freezing of capital in fixed assets or its loss due to physical and moral deterioration, which ultimately increases the risk of illiquidity of the enterprise. Changing the structure of the company's assets in the direction of increasing the share of current assets may indicate the formation of a more mobile part of them, or the creation of surplus inventory.

To ensure a normal production process, each enterprise must have an appropriate amount of current assets. The size of these assets in a particular enterprise is related both to production volume and to their structure. Therefore, when conducting an internal analysis of the current assets, it is important to analyze their structure regarding risk category to liquidity. In terms of liquidity, funds and easily traded securities are minimally risky; normal receivables, inventories and finished goods – small level of risk; produced goods, work in progress, costs of future periods – average risk level; off-demand finished produce, overdue receivables – high liquidity risk. As the share of high-risk assets increases, the financial position deteriorates [21].

Enterprise risks losing some of the value of these inventories through spoilage and aging. In addition, the accumulation of excess inventory leads to freezing of funds, which in the conditions of their scarcity is quite undesirable. Therefore, the presence of both an excess of own current assets and their lack adversely affect the financial stability of the enterprise.

The financial position of the enterprise also depends to a large extent on the cash. The increase in cash, as a rule, indicates the strengthening of the financial position of the enterprise. However, if significant amounts of cash are not used for a long time, it

indicates that they are not used effectively. All surplus funds should be used for expansion of own production or for carrying out financial investments (purchase of shares and bonds, investing in authorized funds of other enterprises, investing in deposit accounts).

The analysis of dynamics and structure of “B2b soft” property will be reflected based on data of form No. 1 "Balance".

Based on the calculations made in Table 2.2, it can be concluded that the value of the enterprise property at the end of 2018 compared to 2016 increased by UAH 2591.4 thousand. This indicates an increase in the property potential of the enterprise, which is positive for the economy. This was due to the increase in the value of fixed assets and non-current assets by 1236.1 thousand UAH and current assets at 1355.3 thousand UAH. At the same time, the share of fixed assets in the structure of property of the economy decreased by 12.4%, and current assets increased by 12.4%, respectively.

The increase in the value of current assets was due to the increase in the amount of funds in the calculations by 1404,14 thousand UAH, and the value of tangible current assets by 876,64 thousand UAH. and cash at 1248 thousand UAH.

Table 2.2

Analysis of the dynamics and structure of the property of PJSC "B2b Soft" as of the end of 2018

Indicators	2016		2017		2018		Variance (+,-)	
	thsnd. UAH	%	thsnd. UAH	%	thsnd. UAH	%	thsnd. UAH	%
Total property	4213,56	100	3575,26	100	10951,2	100	6737,64	–
including	2857,14	67,8	2720,64	76,1	6071	55,4	3213,86	-12,4
fixed assets and non-current assets	1356,42	32,2	854,62	23,9	30880,2	44,6	29523,78	12,4
Current assets	596,96	14,2	514,28	14,4	1471,6	13,4	874,64	-0,7
of which: tangible current assets	15,6	0,4	53,82	1,5	1263,6	11,5	1248	11,2

Table 2.2 continued

Cash	743,86	17,7	286,52	8,0	2145	19,6	1401,14	1,9
Funds in the calculations	-	-	-	-	-	-	-	-

The share of current assets in the value of property changed as follows: the share of funds in calculations increased by 1.9%, cash - by 11.2%, and the share of tangible current assets decreased by 0.7%.

The financial condition of the enterprise largely depends on the structure sources of financing. Therefore, special attention is given to the analysis of the formation of economic assets. The main areas of this analysis are to study and evaluate the changes that have taken place in the structure of sources of capital formation and indicators that characterize the financial stability of the enterprise.

To analyze the change in the structure of sources of capital formation determine the proportion of own and borrowed funds in their total amount. Equity should be the basis for independence of the enterprise. However, financing at your own expense is not always justified. This is especially true for seasonal businesses. In these enterprises, significant amounts of funds will be accumulated in certain periods of time in the bank accounts, and in other periods the enterprise will lack them. In this case, the prices for financial resources and return on equity need to be realistically taken into account. Thus, if the prices for financial resources are low and the company can provide a higher level of return on invested capital, then it is advantageous to attract bank loans. For this purpose, the value of the proceeds from the sale, the amount of net profit and the level of profitability are calculated in two variants: using bank loans and without using bank loans. Attracting bank loans will only be rational if their interest rate is lower than the return on invested capital.

In the analysis of accounts payable any fact of arrears should be considered as a negative phenomenon, which leads to deterioration of the financial condition of the enterprise. Particular attention should be paid to the existence of overdue debts to the budget and extrabudgetary funds, insurance and remuneration.

Analysis of the dynamics of sources of funds invested in the property of LLC "B2b Soft" is presented in Table 2.3.

Table 2.3

Analysis of the dynamics of sources of funds invested in the property of LLC "B2b Soft" as of the end of the year

Indicators	2016		2017		2018		Variance 2018-2016 (+,-)	
	thsnd. UAH	%	thsnd. UAH	%	thsnd. UAH	%	thsnd. UAH	%
Total assets	4213,56	100	3575,2 6	100	10951, 2	100	6737,64	-
Equity	2137,72	50,7	2143,9 6	60	2168,4	19,8	30,68	- 30,9
Provision of follow-up costs and payments	9,88	0,2	4,42	0,1	0	0	-9,88	-0,2
Borrowed funds	103,22	2,4	2,34	0,1	8060	73,6	7956,78	71,2
Payables	1962,74	46,6	1424,5 4	39,8	722,8	6,6	-1239,94	-40
Future revenues	-				-		-	

Having analyzed the sources of funds invested in the property of the economy, we can conclude that at the end of 2018 the amount of sources of investments in the property increased by 6737,64 thousand UAH. Equity increased by UAH 30.68 thousand, and its share in the structure of sources of funds decreased by 30.9%.

In terms of borrowed funds, in 2018, compared to 2016, they increased by UAH 7956,78 thousand, and their share increased by 71.1% in the structure of sources, which is a positive point. At the same time, payables decreased by 1293,94 thousand UAH, and their share decreased by 40.0%, which is also positive for the company.

2.3. Estimation of profitability of enterprise activity

The enterprise's ability to repay its debt in a timely manner characterizes its financial condition. The financial state of an enterprise also refers to the level of its provision with an adequate amount of financial resources necessary for efficient business activities and timely payments on its obligations. Financial state can be stable and unstable.

The purpose of assessing the financial condition of an enterprise is looking for reserves to increase its profitability and solvency. The assessment of the financial state of an enterprise should be done by calculating the system of economic indicators that characterize economic and financial position of economic entity. The main indicators that characterize financial condition of an enterprise include following:

- profitability;
- optimal profit distribution;
- optimal size of own floating assets, which ensure the normal process of production and sale;
- availability of own sources of formation of current assets to the extent sufficient to cover them;
- solvency of the enterprise.

If the company achieves required optimal parameters in these areas, its financial position is stable. If, however, it does not receive profit that provide the required increase in its own financial resources, its financial condition cannot be sustainable.

The most important indicator of the financial condition of the enterprise is liquidity, the essence of which lies in the ability of the company at any time to pay off its liabilities at the expense of assets on the balance sheet. Or in other words it is how quickly an enterprise can sell its assets, receive cash and pay off debt to suppliers, and to the bank for repayment of loans, to budget and off-budget centralized tax funds, to employees on payment of salaries and so on.

An entity's liquidity is determined by the ratio of the value of its liquid assets, that is, the assets that can be used to pay the debt, to the short-term debt. In essence, the liquidity of an entity is the liquidity of its balance sheet. The liquidity of the

enterprise's balance sheet is characterized by the connection between the possibility of selling its assets and the simultaneous payment of liabilities.

The liquidity of the balance sheet is determined by the level of coverage of the enterprise's liabilities by its assets, which period of transformation into cash corresponds to the maturity of the liabilities.

Several liquidity ratios (solvency) are calculated. The most important indicator of solvency (liquidity) is the coverage ratio (total liquidity), which characterizes the level of coverage by an enterprise its liabilities. The coverage ratio is determined by the ratio of all current assets of the enterprise to its current liabilities. The normative value of the factor is $LRT > 1$. If the value of LRT is normative, the enterprise may settle its obligations in a timely manner, and if $LRT < 1$, the enterprise has a non-liquidity balance.

In addition to the coverage ratio, quick and absolute liquidity ratios are calculated. The ratio of fast (current) liquidity is calculated by dividing the most liquid and fast-selling assets (cash and receivables) by current liabilities by the formula 2.1. Current liquidity ratio reflects the ratio of cash receivable that has not yet arrived and the finished product to current liabilities, i.e.:

$$LRC = C + RS + FP / LC \quad , \quad (2.1)$$

LRC – current liquidity ratio;

C – cash;

RS – accounts receivable that have not yet been paid;

FP – finished produce;

LC – current liabilities.

Theoretically optimal value of this index is 0.7–0.8.

The absolute liquidity ratio is characterized by the level of coverage of the enterprise's liabilities by its assets, the term of conversion of which to money corresponds to the maturity of the liabilities. The absolute liquidity ratio is defined as

the ratio of the amount of cash and short-term financial investments to the amount of short-term (current) liabilities by formula:

$$LRA = C + FI_C / LC, \quad (2.2)$$

LRA – absolute liquidity ratio;

C – cash;

FI – current financial investments (shares and bonds);

LC – current liabilities.

The absolute liquidity ratio $LRA > 0.2$ is sufficient for the enterprise to settle its debts with creditors in a timely manner. The decrease in this ratio reflects the external cause of the insolvency of the enterprise. If the coefficient of absolute liquidity $LRA < 0,2$ and the coefficient of coverage $LRC < 0,5$, the enterprise is considered bankrupt and can be liquidated with the sale of property.

Table 2.4

Calculation of liquidity ratios of LLC “B2b Soft” as of 2016-2018

Indicator	2016	2017	2018	Variance 2081-2016 (+,-)
Cash, thsd. UAH	15,6	53,82	1263,6	1248
Accounts receivable, thsd. UAH	743,86	286,52	2145	1401,14
Inventories, thsd. UAH	596,96	514,28	1471,6	874,64
Current liabilities, thsd. UAH	2034,63	564,96	262,95	-1771,68
Total liquidity ratio	0,7	0,6	6,3	5,6
Current liquidity ratio	0,4	0,2	4,7	4,3
Absolute liquidity ratio	0,01	0,04	1,75	1,74

According to the data obtained, the absolute liquidity ratio during 2016-2017 is quite low and increases only in 2018. Its level indicates that only in 2016-2017 1-4% of short-term debt can be repaid immediately, and in 2018 in full. The value of this coefficient at B2b Soft is above the normative value only in 2018, which for the normal functioning of the company should be in the range of 0,2-0,35.

The liquidity ratio is also low, which in 2018 is well above the regulatory level. In 2018, this indicator increased by 4,3 compared to 2016 and exceeded the normative value by 7,2 times. In 2017 the value of this coefficient is the lowest – 0,2. And since this ratio is crucial for banks, as it characterizes the degree of reliability of the company when repaying loans, the tendency to increase testifies to the benefit of the company. Thus, as we can see, absolute and instant (fast) liquidity indicators are much lower than the regulatory values in 2016-2017 and much higher in 2018.

Total liquidity ratios remain low in 2016-2017, but tend to increase. The overall liquidity ratio of the economy increased by 5.6% in 2008 compared to 2016. At the same time, it is much higher than the normative value, which should be 2.0-2.5 for the normal functioning of the enterprise. Unfortunately, the high indicators of general liquidity indicate of not stable financial condition of the company and the efficiency of its activity, but the presence of over-production in stocks and high level of receivables is not a positive feature in the analysis of the financial condition of the company.

Solvency is characterized by a sufficient number of current assets of the enterprise to meet its obligations during the year.

An enterprise is considered solvent if its total assets exceed its current assets. The inability of an enterprise to satisfy the creditors' claims for payment of goods, payment to the budget and extra-budgetary funds, etc. in connection with the excess of liabilities over the value of property and other assets characterizes its insolvency. An enterprise is declared insolvent in case of an unsatisfactory balance sheet. An unsatisfactory balance sheet structure is a condition of a debtor's assets and liabilities when his or her assets cannot be secured to fulfill obligations to creditors because of insufficient levels of liquidity of the assets.

The main indicators that determine solvency of the company are autonomy ratio (financial independence); financial stability ratio; financial leverage ratio; ratio of availability of own funds; coverage ratio (solvency).

Autonomy ratio is an indicator that characterizes the proportion of own assets in the total amount of all assets of an enterprise used for carrying out business activity. Autonomy ratio is calculated by dividing the amount of equity by the value of the enterprise property by formula:

$$A_R = S_{EF} : C_B, \quad (2.3)$$

A_R – ratio of financial independence (autonomy);

S_{EF} – sources of own and equated funds;

C_B – balance sheet currency.

The minimum (normative) value of autonomy ratio A_R is > 0.5 . The value of this indicator suggests that its own assets can cover all liabilities of the enterprise. Increasing of autonomy ratio indicates greater financial independence, increasing the guarantee of repayment by the enterprise of its obligations. Therefore, the greater the autonomy ratio is, the better is financial state of the enterprise.

Financial stability ratio is an indicator characterized by the ratio of the enterprise's own and borrowed funds. It shows how much borrowed money the enterprise attracted per 1 UAH invested in its own funds. The financial stability ratio is determined by the formula:

$$FSR = (S_{EF} + B_{l-t} - B_F) / C_B, \quad (2.4)$$

FSR – financial stability ratio;

S_{EF} – sources of own and equated funds;

B_{l-t} – long-term borrowings;

B_F – borrowed funds;

C_B – balance sheet currency.

Normative is considered to be $FSR > 1$. Excess of own funds over debt indicates that the company has a sound financial position and is relatively independent from external financial sources.

Financial leverage ratio (LEV_f) is characterized by the ratio of long-term liabilities and sources of own funds of the enterprise. It shows how many long-term liabilities fall per unit of sources of own funds. Normative of LEV_f is < 1 . In this case, the financial condition of the company is relatively normal.

Equity ratio (EqR) is an indicator that characterizes the level of an enterprise's own sources of formation of current assets, that is, shows how many own sources of formation of current assets of an enterprise account for one unit of these assets. This ratio is calculated according to the balance sheet of the enterprise for the corresponding reporting period in the following order: from the total of the first section of the balance sheet liability subtracts the total of the first section of the asset and the resulting difference is divided by the sum of the second section of the balance sheet asset, i.e. the actual availability of their own sources and equals the formation of working capital divided by the actual value of the available working capital. Normative level of equity ratio is $EqR > 0,1$. This means that existing current assets, enterprises are covered by its own and equivalent sources. An increase in the equity provision ratio will mean that the company has excess sources of current assets, and its decrease indicates a lack of these sources. In both cases, the financial position of the enterprise will be unstable.

The information base for assessing the financial position of an enterprise is the data of the Balance Sheet (Form No. 1), the Statement of Financial Results (Form No. 2), the Statement of Cash Flow (Form No. 3), the Statement of Equity (Form No. 4), statistical and other reporting.

The share of own funds in the total amount of sources of funds is very low and amounted to 0,20 in 2018, i.e., compared to 2016 the autonomy ratio decreased significantly - by 0,31. The downside is that its value is less than the normative, which must be greater than 0,6 for the normal functioning of the enterprise. In 2006-2007

this ratio was close to the normative value of 0,51 and 0,6 respectively. This indicates that the enterprise carries out its activity mainly at the expense of borrowed funds (table 2.5).

Table 2.5

Calculation of financial sustainability indicators of LLC “B2b Soft” in dynamics as of the end of 2018

Indicator	2016	2017	2018	Variance 2018-2016 (+,-)
Equity, thsd. UAH	2137,72	2143,96	2168,4	30,68
Non-current assets, thsd. UAH	2857,14	2720,64	6071	3213,86
Current assets, thsd. UAH	1356,42	854,62	30880,2	29523,78
Total amount of sources of funds, thsd. UAH	4213,56	3575,26	10951,2	6737,64
Autonomy ratio	0,51	0,6	0,2	-0,31
Equity ratio	-0,53	-0,67	-0,8	-0,27

The negative value of equity ratio means that the own sources of financing of current assets are not enough and the company attracts other financial resources for these needs, including short-term bank loans.

Under financial sustainability of business we understand the provision of inventories and expenses by sources of funds for their formation. Financial stability is the condition of an enterprise when the volume of its assets is sufficient to meet its obligations, that is, the enterprise is solvent. In other words, the financial sustainability of an enterprise is its position when the resources invested in entrepreneurship are paid for by the cash flow, and the profit generated ensures the self-financing and independence of the enterprise from external attracted sources of asset formation. Financial stability is determined by the ratio of the value of tangible current assets

(inventories and expenses) to the value of own and borrowed sources of funds for their formation.

The system of absolute and relative indicators is used to characterize the financial stability of the enterprise. The most general absolute indicators of financial sustainability are the surplus or lack of sources of funds to form inventories and expenses, that is, the difference between the amount of sources of funds and the amount of inventories and expenses.

By the level of coverage of different types of sources of the amount of inventories and expenses the following types of financial stability are distinguished:

- absolute stability (S_{ABS}) of the financial position, when own sources of current assets formation cover stocks and expenses. The presence of own sources of current assets is determined by the balance sheet of the enterprise as the difference between the amount of sources of own and equivalent funds and the value of fixed assets and other non-current assets;

- normal (sound) financial position when inventories and losses are covered by the sum of own sources of current assets and long-term borrowed sources;

- unstable financial condition, when inventories and expenses are covered by the sum of own current assets, long-term borrowing sources, short-term credits and loans;

- a crisis financial condition, when inventories and expenses are not covered by all kinds of possible sources of their security (own, debt, etc.), the enterprise is on the verge of bankruptcy.

Financial independence from external borrowing sources is important for the functioning of enterprises in a market economy. A stock of sources of own funds means a stock of financial stability of an enterprise, when its own funds exceed the debt. The stability of the financial condition of the enterprise is evaluated in relation to its own and borrowed funds, the rate of accumulation of own funds as a result of current financial activity, sufficient provision of tangible current assets by own sources.

The financial stability of an enterprise is characterized by a system of financial ratios, which are calculated as the ratio of absolute indicators of assets and liabilities

of the balance sheet. Comparison of these indexes with baseline values (industry average, financially more sustainable enterprises, optimally calculated) gives an opportunity to establish the level of financial stability of the analysed enterprise.

The main indicators that characterize the financial stability of an enterprise, its independence from borrowed funds are ratios of autonomy, financial stability (own and borrowed funds), financial leverage (depending on long-term liabilities), security of own funds, financial dependence, debt to equity funds ratio, maneuverability of current and own capital.

The ratio of security of own funds (SEC_R) characterizes the level of provision of the enterprise with its own funds and is calculated as the ratio of the amount of actual availability of sources of equity and their equivalents (excluding amounts of debt on payments with participants, future income, reserve of future expenses and payments) to the value of current assets. The financial condition of the enterprise is considered normal if the equity ratio is $SEC_R > 1$.

The financial stability of the enterprise (ST_{fin}) is estimated by the ratio of borrowed and own funds, which shows how much borrowed money the enterprise attracted for 1 UAH invested in assets of its equity. It is calculated as the ratio of the total amount of liabilities on borrowed funds to the amount of equity. Normal is the financial condition of an enterprise when the coefficient of financial stability $ST_{fin} < 1$. If $ST_{fin} > 1$, the financial stability and autonomy of the enterprise reach a critical value.

An important indicator that characterizes the financial sustainability of an enterprise is the ratio of long-term borrowing (BRW_{l-t}). It shows how much long-term borrowing is used to finance the assets of the enterprise along with its own funds. The ratio is calculated by dividing the amount of long-term loans and other borrowings by the amount of own funds. The less borrowed funds the company attracts to carry out its statutory activity, the higher its financial stability.

To study the financial sustainability of an enterprise, it is important to calculate the ratio of long-term borrowings in the amount of long-term assets BRW/A_{l-t} . This

ratio is calculated as the ratio of the amount of long-term borrowings to the amount of long-term assets. The ratio shows how much of a bank's long-term borrowings and loans falls per unit of enterprise long-term assets.

The degree of dependence of the enterprise on creditors can be determined by calculating the ratio of attracted capital concentration CA_R which is determined by the ratio of the amount of long and short-term investments to the amount of assets of the enterprise.

Table 2.6

Analysis of the financial stability ratio dynamics and the ratio of attracted and own funds of LLC “B2b Soft” as of the end of 2018

Indicator	2016	2017	2018	Variance 2018-2016 (+,-)
1	2	3	4	5
Equity, thsd. UAH	2137,72	2143,96	2168,4	30,68
Borrowed funds, thsd. UAH	103,22	2,34	8060	7956,78
Long-term liabilities, thsd. UAH	0	0	6600	6600
Assets of the enterprise, thsd. UAH	4213,56	3575,26	10951,2	6737,64
Borrowings to equity ratio	0,048	0,001	3,717	3,67
Ratio of long-term borrowings	0	0	3,717	3,72
Ratio of attracted capital concentration	0,024	0,001	0,736	0,71

The ratio of attracted funds and equity ST_{fin} increased significantly in 2018 and reached a critical level. This indicates that the company used mainly borrowed funds to finance its own activities in 2018, and in 2016-2017 – its own funds, since in these years this ratio is within the norm. Confirmation of this conclusion is the change of the concentration ratio. It points out that the company became extremely dependent on creditors in 2018.

Although, given that the company “B2b Soft” increased the amount of long-term borrowed funds in 2018, it is possible to talk about investing in the development of the company, which will allow in the future to receive additional financial profit.

Business activity of enterprises is analyzed on the basis of indicators, which are based on revenue from sales of products, works and services.

1) Total equity turnover – this indicator is calculated as the ratio of sales of products, works and services to the total balance sheet.

2) Mobile funds turnover – in the numerator of this indicator is revenue from the sale of products (works, services), and in the denominator – the result of the second section of the balance assets.

3) Turnover of tangible working capital – to calculate this indicator, revenue from sales should be divided by the amount of inventories and expenses of the enterprise.

4) Turnover of finished products – is determined by dividing the amount of revenue by the cost of the finished product.

5) Accounts receivable turnover – in the numerator of this indicator - revenue from the sale of products (works, services), in the denominator - the amount of accounts receivable.

6) The average term of receivables turnover – this indicator is determined by the formula:

$$TavR = AR \times 360 / Rs \quad (2.5)$$

TavR - average term of receivables turnover;

AR - accounts receivables;

Rs - revenue from sales.

7) Accounts payable turnover – to calculate this indicator it is necessary to divide the sum of proceeds from sale of goods (works, services) by the amount of accounts payable of the enterprise.

8) The average term of turnover of accounts payable – it is calculated similarly to the average term of receivables turnover, only the numerator takes into account the amount of accounts payable.

9) Equity turnover – in the numerator of this indicator – the proceeds from sale, in the denominator – the result of section I of the balance liabilities.

Table 2.7

Analysis of current assets turnover of LLC “B2b Soft”

Indicator	2016	2017	2018	Variance 2018-2016 (+,-)
1	2	3	4	5
Revenue from sales of services, thsd. UAH	21743,82	21019,96	32877,69	11133,87
Total assets, thsd. UAH	4213,56	3575,26	10951,2	6737,64
Equity, thsd. UAH	2137,72	2143,96	2168,4	30,68
Total current assets	1356,42	854,62	30880,2	29523,78
Inventories	596,96	514,28	1471,6	874,64
Accounts receivable	743,86	286,52	2145	1401,14
Accounts payable	1962,74	1424,54	722,8	-1239,94
Total equity turnover	0,53	0,6	0,31	-0,22
Equity turnover	1,04	1,01	1,56	0,52
Mobile funds turnover	1,65	2,53	0,69	-0,96
Turnover of tangible working capital	3,74	4,2	2,3	-1,44
Accounts receivable turnover	3	7,54	1,57	-1,43
The average term of accounts receivable turnover	119,89	47,77	228,64	108,75
Accounts payable turnover	1,14	1,52	4,67	3,53
The average term of accounts payable turnover, days	316,34	237,5	77,04	-239,30

During the period under review, the indicators of business activity of LLC “B2b Soft” has deteriorated. In particular, the total turnover of capital, turnover of mobile funds, accounts receivable, equity decreased, and the terms of receivables and payables increased.

Profitability is return on investment and assets used, the final result of the enterprise, which is characterized by the amount of profit received per unit of the relevant components of the production process or the total cost of the enterprise.

The amount of profit is the indicator that the most fully characterizes the performance of the enterprise, its level of profitability. Profit, although it is the result of the activity of the enterprise, but does not characterize the level of efficiency of its activity, costs, used property. Therefore, in the practice of management to fully assess the effectiveness of the enterprise, its costs, the use of property uses a relative indicator - profitability.

Profitability is a relative indicator of the intensity of production that characterizes the level of payback of the relevant components of the production process or the total cost of the enterprise. In the practice of management, the profitability of production, sales, current assets, investments (capital) in production, etc. are calculated.

1. To characterize the efficiency of use of financial resources, the return on investment of all funds in production, own investments, investments in shares of other enterprises, etc. is calculated.

2. Profitability of sales. When calculating this indicator, the amount of profit from the sale of products (works, services) should be divided by the amount of sales revenue and multiplied by 100.

3. Profitability of main business. In the numerator of this indicator - the amount of profit from the sale of products (works, services), and in the denominator - the amount of costs for the production of products and its sale. It is expressed as a percentage.

4. Return on equity. This figure is calculated by dividing the amount of net income of the enterprise by the average value of the enterprise's equity (the total of the liability section of the balance sheet) and multiplying this proportion by 100.

5. Equity payback period. In determining this indicator, the average amount of equity (the sum of the results of section I of the liability balance at the beginning and end of the year, divided by 2) should be divided by the amount of net income of the enterprise for the year.

6. Profitability of all capital of the enterprise. This indicator is expressed as a percentage of the balance sheet profit of the enterprise to the total balance sheet.

7. Profitability of permanent capital. To calculate this indicator, we need to find the percentage of balance sheet profit to the total of the first section of the balance sheet liability.

Table 2.8

Dynamics of profitability indicators

Indicator	2016	2017	2018	Variance 2018-2016 (+,-)
Return on sales,%	16,9	-5,3	25,6	8,8
Profitability of the main activity,%	20,3	-5,0	34,5	14,2
Return on total assets of the enterprise,%	1,1	0,3	1,1	-

As can be seen from the data presented in Table 2.8, profitability indicators have improved slightly over the last three years. In particular, the profitability of sales increased by 8.8 points, the main activity - by 14.2, and the total capital of the enterprise has not changed. This was achieved by increasing the profitability of the company “B2b Soft”.

The main objective of financial analysis conducted here is to reduce the inevitable uncertainty associated with making future-oriented economic decisions. Our results of financial analysis can be used as a tool to justify short-term and long-term economic decisions, the feasibility of investing; as a means of assessing the skill and quality of management; as a way of forecasting future financial results. Financial forecasting greatly improves enterprise management by ensuring the coordination of all factors of production and sales, the interconnection of activities of all divisions, and the division of responsibilities.

CHAPTER 3. DIRECTIONS OF INCREASING ECONOMIC EFFICIENCY OF ECONOMIC ACTIVITY LLC “B2b Soft”

3.1. Main strategic directions of development LLC “B2b Soft”

LLC “B2b Soft” is a subsidiary of American company “Corporation “B2b Soft” working as IT outsourced department in Ukraine. Specialization of LLC “B2b Soft” is development, technical and operational support of software for POS. The main management decision-making center is in the USA, thus Ukrainian IT department of “Corporation “B2b Soft” organized legally in LLC “B2b Soft” is on a level of business strategies being initially defined by corporate level strategy.

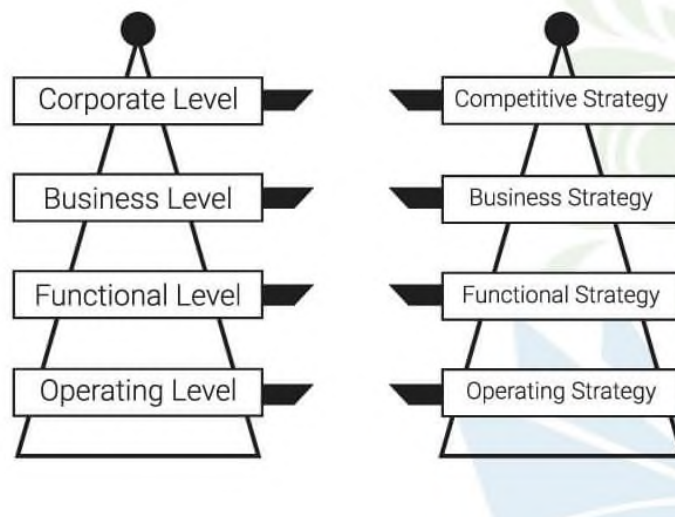


Figure 3.1 Levels of strategic planning

Top, competitive strategy is the first of the types of strategies in strategic management. The competitive strategy aims at gaining competitive advantage in the marketplace against the competitors. Competitive advantage comes from strategies that lead to some uniqueness in the market. For “Corporation “B2b Soft” it’s a leading POS (point-of-sale) for wireless retailers. The competitive strategy consists of business approaches and initiatives. It undertakes a company to attract clients and deliver. Superior values to them through fulfilling their looking forward as well as to

strengthen its market position. This definition of Thompson and Strickland emphasizes ‘tactics and ingenuities’ of directors in outlining strategy.

Exclusive software provided by B2b Soft is Wireless Standard – one of the systems exclusively used by Metro™ by T-Mobile and the exclusive POS for both Boost Mobile® and Tracfone. “Corporation “B2b Soft” also supports more than 8 other carriers and offers solutions for dealers who represent multiple carriers. B2B Soft has more than 15 years of experience helping dealers manage and grow their business. Wireless Standard can be found in 10,000+ locations and powers more than 2 million transactions each month. B2B Soft also offers a cloud-based POS system for members of the Hospitality and Retail industries called eHopper and an ERP solution built to meet the unique needs of the Wireless Industry.

A business can either do a focus or a leadership type approach to competition. In a focus, the business aims to have an advantage over a couple of the other businesses, e.g. one or two. In a leadership, however, the business aims to have a complete advantage over all other businesses – generally through some form of differentiation. Differentiation is what distinctly makes a business stand out, i.e., a different aspect intended to make the business be distinctive from others.

Therefore, the four types of competition are cost leadership, differentiation leadership, cost focus, and differentiation focus.

In a cost leadership approach, a business will generally mass produce to drive prices really low, gaining an advantage in pricing.

In a differentiation leadership, generally the business will create a distinct and attractive differentiation aspect, then use it to drive prices higher.

In a cost focus, the business will focus on a specific thing to lower costs and gain customer popularity.

And lastly, in a differentiation focus, a business targets customers who refrain from buying products from competitors due to a small missing feature. The business will adopt this feature as a niche and therefore win over those customers.

Winning a competitive strategy for B2b Soft is grounded on sustainable competitive advantages. They include long presence on a market, market reputation, market-niche strategy (working in different market sectors – wireless retailers and restaurants and hospitality) and low-cost strategy (offering basic product only modified for needs of different customers). Grounding on this we can make a conclusion that Corporation “B2b Soft” follows differentiation leadership strategy.

Since achieving and maintaining a competitive advantage is the primary aim of competitive strategies, management of Corporation “B2b Soft” should undertake measures to sustain competitive advantage once they achieve. Managers should sustain achieved competitive advantages by adopting the following measures such as:

- focusing on building blocks of competitive advantages;

- developing distinctive competencies – managers have to develop distinctive competencies in order to sustain a competitive advantage. When distinctive competencies develop, they help in improving performance in all the areas of four building blocks. Distinctive competencies should develop in all required areas – never in some areas at the cost of other important areas;

- creating an environment of organizational learning - sustaining competitive advantages also requires a congenial environment in the organization that promotes learning within the organization. Learning organizations can keep themselves at the top of all competitors because they are always in search of knowledge. In the process of seeking and disseminating knowledge, they learn from prior mistakes and improve their work-processes over time;

- instituting continuous improvement mechanism – Instituting continuous improvement mechanism and business process re-engineering. Continuous improvement of the quality of both products and services in sine-qua-non for sustaining competitive advantage over a longer period of time. Managers need to devise dynamic ways to improve quality on a continuous basis;

- instituting best practices;

- overcoming barriers to change.

This becomes possible when the company emphasizes the four generic building blocks of competitive advantage, such as:

- efficiency;
- quality;
- innovation and;
- customer responsiveness.



Figure 3.1 Four building blocks of competitive advantages of Corporation “B2b Soft”

Efficiency and quality of services and products is a substantial part of planning and existing results of business activity. Strong market position is an indicator of high efficiency and quality of provided POS software solutions. Innovations are characteristic part of company’s activity especially being involved in IT sector of trade services. Cultivation of innovations and constant product improvement is result of persistent work of highly qualified human resources – IT specialists located in Ukraine and technical support staff. Technical support staff plays a great role in customer responsiveness and communicating existing problems and recommendations of POS software improvement based on clients’ requests to other departments which itself results in qualitative product and subsequent customer loyalty.

That's why developing strategic competencies and long-term directions for LLC "B2b Soft" as an integration part of main strategy Corporation "B2b Soft" can bring benefits on both – corporate and local country level (see fig. 3.2).

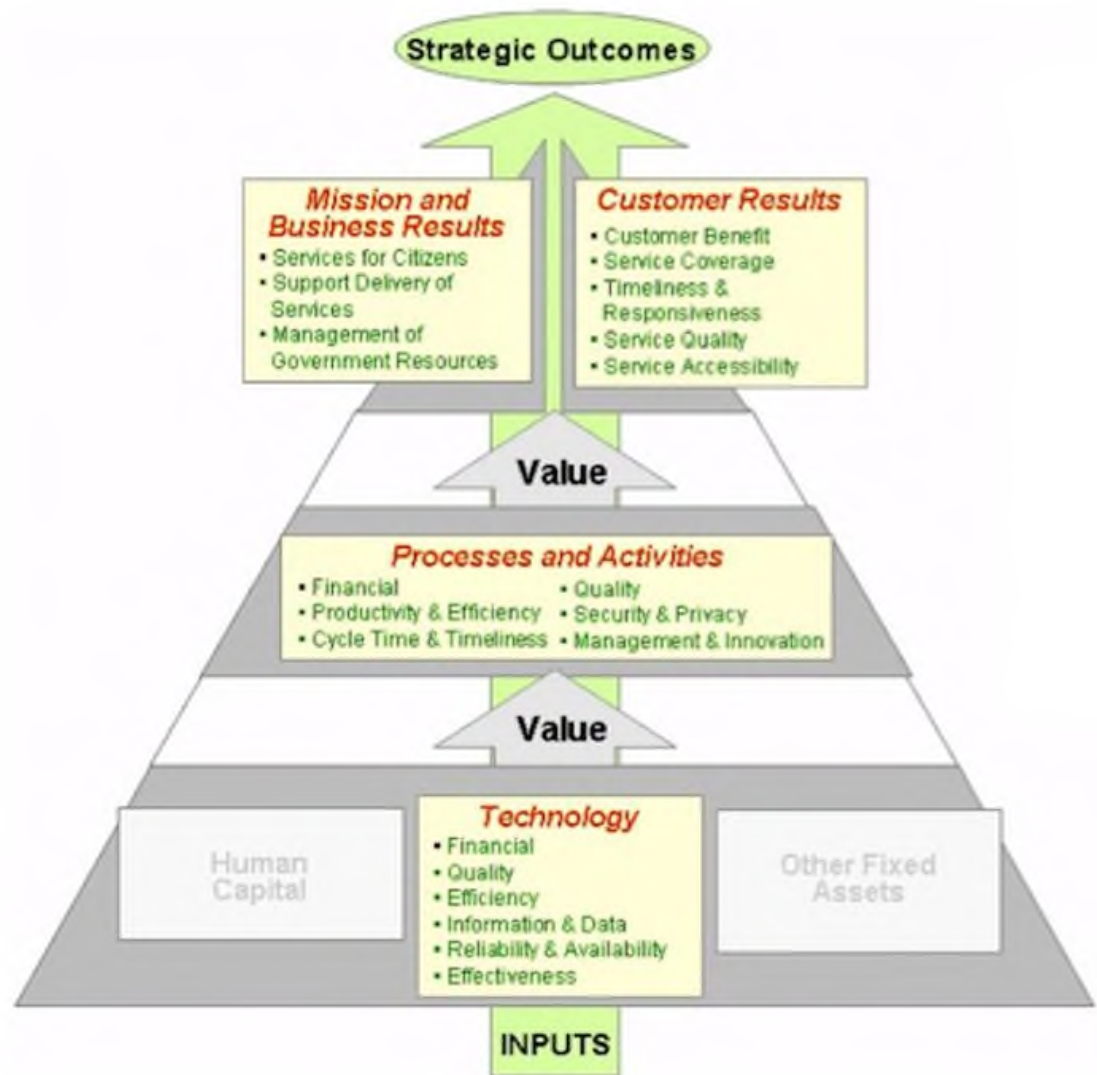


Figure 3.2 Hierarchy of strategic inputs and outcomes of parent company "Corporation B2b Soft"

Strategic management process has following steps:

1. Developing a Strategic Vision and Business Mission
2. Setting Objectives
3. Crafting a Strategy
4. Environmental Scanning

5. Strategy Formulation
6. Strategy Implementation &
7. Strategy Evaluation and Control.

Business strategy formulates at the business-unit level. It is popularly known as 'business-unit strategy'. This strategy emphasizes the building up of the company's competitive position of products or services. Business strategies compos of a competitive and cooperative approach. As LLC "B2b Soft" is on a level of business strategy for the main Corporation "Bb Soft" then managers must have a thorough knowledge and analysis of the general and competitive organizational environment so as to take right decisions. They should conduct a SWOT analysis of strengths, weaknesses, opportunities, and threats, i.e., they should make best possible utilization of strengths, minimize the organizational weaknesses, make use of arising opportunities from the business environment and shouldn't ignore the threats. Corresponding analysis for producing a business strategy for LLC "B2b Soft" will be done in the second section of Chapter 3.

Functional strategy refers to an approach that points up a particular functional area of Corporation "B2b Soft". It sets down to achieve some objectives of a business unit by maximizing resource productivity. Once in a blue moon, functional strategy names departmental strategy since each business function frequently devolves with a section. Level of functional strategies of Corporation "B2b Soft" comprises production strategy, marketing strategy, human resource strategy, and financial strategy.

The functional strategy is concerned with developing distinctive the right stuff to provide a business unit with a competitive advantage. Each business unit has its own set of departments, and every department has a functional strategy. Functional strategies adapt to support a competitive strategy of Corporation "B2b Soft". Differentiation leadership strategy of Corporation "B2b Soft" is following a product unique features competitive strategy and needs a marketing strategy. It insists on high quality of IT specialists, sales personnel i.e. human resource strategy and investments in market researches (marketing strategy). These employees are highly qualified to work for the organization. Other functional strategies such as advertising strategy, and

financial strategy are also to be formulated aptly to support the business-level competitive strategy.

The organizational plans have detailed character. Likewise, it becomes specific when managers move from corporate business to functional-level strategies.

Operating strategy gives form to as the operating units of Corporation “B2b Soft”. Company has a developed operating strategy for its sales and maintenance processes. An operating strategy is put across at the field level, usually to achieve on hand objectives. Managers of Corporation “B2b Soft” develop an operating strategy for each set of annual goals in the divisions.

The result of forming strategic directions of development by parent company “Corporation B2b Soft” is profit, market benefits and corresponding cost optimization in long term.

3.2. Development of business strategy for the enterprise

The business strategy covers all the activities and tactics for competing in denial of the competitors. And the behaviors management addresses various strategic matters. As Hill and Jones have remarked, the business strategy consists of plans of action. Its strategic managers adapt to use a company’s resources. Additionally, managers change distinctive attitudes to gain a competitive advantage over its rivals in a market. The business strategy usually formulates in line with the corporate strategy. The main focus of the business strategy is on product development, innovation, integration, market development, diversification, and the like.

LLC “B2b Soft” is an IT department in Ukraine, which services the business processes of the parent US company – Corporation “B2b Soft”. IT outsourcing for the parent US company has two main advantages [9]: cost savings for information system maintenance and obtaining a stable and high-quality level of service.

Outsourcing is a popular business strategy nowadays that is successfully used by parent Corporation “B2b Soft” in the USA. In Ukraine it still gaining momentum,

introducing changes in the way of doing business in the global market and maintaining a growth position over the past decades. As described in Chapter 2 LLC “B2b Soft” is an outsourcing company located in Ukraine with a staff of highly qualified IT-specialists and technical support personnel. Historically, outsourcing was first recognized as a business strategy in 1989, although outsourcing tools were used much earlier during the 70s in the automotive industry. Regularly used throughout the 90s, the outsourcing tool has been firmly integrated into international business.

According to statistics from Upwork, Ukraine ranks first in Europe and fourth in the world in terms of the number of freelancers. More than 82% of outsourcing orders in Ukraine are software development or support of IT systems, while the share of other outsourcing, for example, call centers, etc., is very insignificant. Currently in Ukraine there are more than 1000 IT companies that provide outsourcing services, and each year the Ukrainian IT market is growing by at least 20%. Most orders come from English-speaking countries such as the USA, UK, Australia and Canada. The IAOP International Association has published the annual Top 100 ranking of the best outsourcing companies - The 2018 Global Outsourcing 100. This rating lists 18 companies with offices in Ukraine.

It should be borne in mind that the competition in the market is quite high, and new players appear all the time, and these may be countries that were practically not represented on the market 3-5 years ago. So, according to Oxford Business Group, the Philippines was already the most attractive country for outsourcing call centers in 2015, with more than a million employees, and IT outsourcing was poorly represented.

The advantages of Ukraine over the Philippines are several significant factors. Firstly, Ukraine has a fairly good high school that prepares IT specialists, therefore even novice programmers usually have a fairly high level of knowledge, and many of them also take specialized courses from world IT companies. Therefore, by default, the chance to find a quality novice programmer in Ukraine will always be higher.

Another aspect that customers take into account in one way or another is the location of Ukraine in a close time zone to customers from EU countries. The time zone of Ukraine is GMT + 2. It is very convenient for Europe – the working hours are

the same. And even for companies from the USA or Canada, Ukraine is the best choice according to this criterion compared to Russia, China or India, with which the difference in time zones is more significant.

An equally important aspect in working with IT outsourcers is the factor of speed and quality of the Internet. In the ranking of Internet speed among the countries of the world, Ukraine takes the 20-21th place.

Outsourcing has strategic orientation. Using IT and support outsourcing in Ukraine parent corporation “B2b Soft” in the USA is concentrating more on conducting the core business in the company, increasing capacity with increasing market presence. Core business process that stays in the USA abroad Ukraine is sales.

In 2020, much will depend on the results of the interaction between business and government. Raising Ukraine in the rating of investment attractiveness, implementing Hi Tech Strategy, the possibility of using work with IT specialists on a contract, improving legislation for the protection of intellectual property rights and much more is already on the agenda and we need to jointly implement everything necessary for business growth.

The Ukrainian IT market is showing steady growth from year to year. According to PwC's analysis, the domestic IT market has recently increased 2.5 times. It has increased by 150% during 2011-2015, and is projected to reach \$5.7 billion in 2020.

The personnel issue is probably the most difficult in this business, as the lack of qualified employees is a major deterrent in the development of companies. The surge in demand for information systems and technology professionals has caused a significant increase in wages in the IT industry, size which are significantly higher than the Ukrainian average in many other industries.

In the process of economic activity enterprise LLC “B2b Soft” has gained its own individual characteristics, which are formed under the influence of external factors and on the basis of its organizational structure. Analysis of external and internal factors is given in the table 3.1.

Table 3.1

SWOT-analysis of activity of LLC "B2b Soft"

Factor	Subfactor	Current state
1	2	3
1. Factors of the enterprise environment		
1. Economics	General economic environment	Economic instability
	Economic state of the country	The production crisis continues. Inflation at 4.6% per year. Constant rise in prices, low solvency of the population
	Market structure and market conditions	The structure is unstable. The situation is low
2. Human resources	Education	General literacy, mainly mid-level economic and legal knowledge
	Labour market	There is a decrease in the labor market
	Technical skills	Good
	Business skills	Medium
3. Politics and government	Economic policy, regional policy	Market economy with state regulation
	The tax system	The tax system consists of two general types of taxes: state and local. State: VAT - 20%, income tax - 30%, taxes on staff salaries: Employment Fund (1.5%), Social Security (4%), Pension Fund (38.5%). Local: communal and local
2. Internal factors of the enterprise		
1. Finance	Documentation and reporting	Documentation is well and timely. Reports sometimes include errors, but they are corrected in advance
	Accessibility	Only management and financial workers have access
2. Balance sheet and income statement	Overall indicators	Volumes of services provision. Financial results. Use of fixed assets. Profitability and main staff
	Financial stability and condition	The financial condition for 3 years is unstable with tendency to improve
	Cash resources. Use of opportunities of available funds	Own financial resources

Table 3.1 continued

3. Funds resources and access to them	Profit and its use	Profit on activities is used to innovate and update fixed assets
4. Financial planning	Technique and technique used	The budget on expenses, annual reports of the enterprise is made
5. Marketing	The general idea and concept of marketing	Company applies the concept of improvement of business process, which involves increasing the volume of services sold to consumers at an affordable prices
	Market	Clients – English-speaking companies with different geographical location, prevalently – from the USA
	Strategy and tactics of advertising and promotion	Advertising activity consists of advertising on the Internet, profile editions, personal sales and many other advertising media
6. Production of services	Concept	Qualitative production, effective interaction of all units involved in the production process, improvement and comprehensive development of the company's material and technical base, support in the proper condition of structures, devices and technical means
	Enterprise strategy	The Company's strategy is to provide services on the basis of concluded contracts
	Staff, number and qualifications	The Company's staff consists of 117 people. The qualification meets the requirements of the technological regulations
	Labour efficiency	In 2018 it was 312,3 thousands UAH that's almost 1/3 more than in 2016
7. HR management	Age	The average age is 30 years, from 23 to 50 years
	Frame turnover	Minor
	Absenteeism	Rarely observed
	Career prospects	Career development is possible during work
	Personnel development costs	A plan is prepared annually to send employees to upgrade the skills of employees, payment is made at the expense of the profitability of the Company. The salary system is a piecework bonus
	Salary Level	The average monthly salary in 2018 increased by 18% compared to 2017
	Social benefits	Annual benefits for workers in the form of cash payments, vacation cards

Table 3.1 continued

8. Efficiency and profitability	Growth of financial indicators	Indicators are growing, there is an increase in services provision
	Profitability	Due to the Company's profit in 2018 (UAH 264 thousand), the profitability of production at the enterprise increased by 116.6% compared to the previous year, when it had a negative value (-6.58%)
	Debt	Accounts receivable at the end of 2018 amounted to UAH 284 thousand, accounts payable - UAH 219 thousand.
	Creating new jobs	New jobs are constantly created

Business strategy for LLC “B2b Soft” should be formed on a basis of investigation of the internal environment of the enterprise aimed at identification of the strengths and weaknesses, comparing them with similar data from competitors and assessing the position of the company in accordance with the environment. Therefore, the use of SWOT analysis makes it possible to take into account the effect of external and internal environmental factors [46].

Strategic management is nothing but planning for both predictable as well as unforeseeable contingencies. It is also the process which helps managers make a choice of a set of strategies for the organization that will enable it to achieve better performance. The results of SWOT analysis of LLC “B2b Soft” and suggested business strategies are shown in fig. 3.3.

By implementing business level strategy LLC “B2b Soft” will gain massive advantages of strategic management, especially including better guidance providing, changing alert to managers, new opportunities creation, developing threatening and proactive management creating.

	1. Opportunities	2. Threats
	1.1 Development of new geographic markets; 1.2 Diversification of activities in Ukraine; 1.3 Expansion of the product portfolio.	2.1 Increased competition between existing companies on US market of POS systems for wireless dealers; 2.2 The emergence of new competitors; 2.3 Adverse change in foreign currency exchange rate; 2.4 Negative changes in the state's tax and customs policy; 2.5 A sharp drop in demand for IT outsourcing in Ukraine as a result of scientific-technological progress.
3. Strengths	Strengthes and opportunities	Strengthes and threats
3.1 A significant share of the market; 3.2 Established system of business processes; 3.3 Large product assortment; 3.4 Experienced staff; 3.5 Sustainable financial position; 3.6 Established relationships with clients.	– Entering new markets, increasing the range, adding new products and services will allow to attract additional financial resources; – Sufficient popularity will facilitate entry into new markets;	– Enhancement of own competitive advantages; – Monitoring the emergence of innovative solutions in the field of POS software and sales; – The appearance of competitors will cause additional costs of financial resources;
4. Weaknesses	Weaknesses and opportunities	Weaknesses and threats
4.1 Use of low level of information systems; 4.2 Focusing on one activity.	- Improve information systems; - Diversify activities.	– Negative changes in customs and tax policies, exchange rates will lead to additional financial costs.

Figure 3.3 Business strategies based on the results of SWOT-analysis of LLC “B2b Soft”

3.3. Economic effect of strategy implementation

The previous section identified the main problems of financial and economic activity of the company LLC “B2b Soft”, in particular: the presence of losses, significant amounts of accounts payable and receivable reduction in sales of products, reducing cash flow from sales of products, underdeveloped financial planning.

The main reserves for improving the financial and economic activity of the company LLC “B2b Soft” are:

- liquidation of excess property;
- elimination of overdue accounts receivable, which will make it possible to pay off accounts payable;
- increase of sales volume;
- improvement of financial management at the enterprise.

Let's look at the existing problems that have been identified and suggest ways to solve them.

I. The problem of receivables. The total amount of receivables of the enterprise is 2145 thousand UAH, of which 942.09 thousand UAH – overdue receivables as of 01.11.2018. This tendency makes the company dependent on partners. Let us analyze the reasons for the occurrence of accounts receivable of LLC “B2b Soft” and ways of solving them:

1. The instability of the financial state of the enterprise, the increase in receivables leads to failure to comply with contractual and financial discipline. In this connection, the tasks of analysis include the identification of the size and dynamics of unjustified debt and the causes of its occurrence or growth.

2. Huge sales of deferred products. Under such a marketing policy, the enterprise actually provides commercial loans to the consumers of its products. By lending them, the company actually shares with them a portion of their profits. The solution is to reduce the number of deferred payment products.

3. Reducing the purchasing power of customers. Whatever the precautionary measures (unless of course you have already switched to 100% - prepayment on all contracts), there are still debt arrears that are not repaid on time. With large sales volumes and a wide range of buyers, the non-repayment of some of the debt is usually planned and "pledged" as part of the overhead in the company's budget. Solution – given this fact, it is advisable to keep an appropriate journal in the accounting department – a warrant or records of payments with customers and customers. This allows you to evaluate the qualitative parameters of receivables. It is necessary to spread the debts by the following gradations: the payment period has not come; delay from 1 to 30 days; 30 to 90 days; from 91 to 180 days; 181 to 360 days; 360 and more.

Due to these measures LLC “B2b Soft” can reduce its receivables by UAH 942.09 thsd. The released funds are proposed to use for eliminating the accounts payable of the enterprise.

2. Payables. It arose from a large number of shipments with a rather large delay in payment, as a result of arrears to suppliers and contractors for tangible assets received, works performed and services rendered. It is proposed to reduce shipment with a sufficiently long delay (restructuring of contractual terms), and can also be repaid by solving the problem of receivables.

3. Insufficient financial planning ramifications. The reason is the lack of qualified staff. The solution is to improve financial planning, introduce budgeting (each department must submit a budget for the month, based on these budgets should make a general budget, based on which the forecast of income and expenses, after the end of the month the company should analyze the deviations and the reasons that led them). As a result, it controls revenue and expenditure.

Depending on the content of the proposed measures aimed at improving the financial and economic condition of LLC “B2b Soft”, different final results from their implementation are possible:

- increase in labor productivity, output and profit;
- increase in sales and profits due to accelerated circulation of current assets, better use of them;

- increase in profits due to increased sales of already competitive products;
- increase of profit through development of new competitive products;
- improvement of performance as a result of improvement of the structure of equity and borrowed funds, increase of liquidity, more rational use of funds, etc.

Table 3.2

Changes that are predicted as a result of the implementation of the proposed measures for LLC “B2b Soft”, thsd. UAH

Measures	Beginning of 2020	End of 2020	End of 2021	End of 2022	Difference
Reduction in accounts receivable	1406.1	(- 942.09) 464,01	-30% (139.203) 324.87	-30% (- 97.45) 227.42	-1178.68
Repaying of accounts payable	1483	0	0	0	-1483
Increase in revenue (while increasing sales)	-169	542,57 (5%)	567.89 (5%)	594,78 (5%)	+733,78
Material stimulation of personnel	0	45,0	72,0	101.45	+101.45

Let's draw up a forecast statement of financial results (Table 3.3). Therefore, the following positive changes are expected at the end of 2020:

- increase of income (proceeds) from sales of products (goods, works, services) by UAH 542,57 thousand;
- reduction of operating expenses by UAH 48 thousand;
- reduction of finished product balances by UAH 542,57 thousand;
- increase of net profit by UAH 681,276 thousand.

Forecast balance sheet will change due to the realization of overdue receivables, the object of work in progress and the reduction of finished goods in stock. Thanks to the additional proceeds, the company will be able to pay overdue accounts payable for goods and services.

Table 3.3

Prospective statement of financial results of LLC “B2b Soft”

Indicator	Forecast for the beginning of 2020	Forecast for the end of 2020	Forecast for the end of 2021	Forecast for the end of 2022	Absolute difference	
					2021-2020	2022-2021
Revenue (revenue) from sales of products (goods, works, services)	25013,2	25555,77	26123,66	26718,44	542,57	1705,24
Indirect taxes and other deductions from income	(5026,7)	(5111,154)	(5224,732)	(5343,688)	84,454	316,988
Net income (sales) from the sale of products (goods, works, services)	19986,5	20444,62	20896,93	21374,752	458,116	1388,252
Other operating income	0	0	0	0	0	0
including income from the initial recognition of biological assets and agricultural products	0	0	0	0	0	0
Other ordinary income	15	15	15	15	0	0
Extraordinary income		160,16	0	0	160,16	160,16
Total net income	20001,5	20619,78	20911,93	21389,752	618,276	1388,252
Increase (decrease) in balances of work in progress and finished goods	(582,3)	(39,73)	274,09	625,23	542,57	1207,72
Material costs	(10851,4)	(11393,97)	11707,89	12.059.12	542,57	1207,72
Salary expenses	(140,9)	(140,9)	(140,9)	(140,9)	0	0
Deductions for social events	(53,7)	(53,7)	(53,7)	(53,7)	0	0
Amortization	(85,2)	(85,2)	(85,2)	(85,2)	0	0
Other operating expenses, including	(301)	(253)	(253)	(253)	0	-48
The purchase price of goods for trade	(8108)	(8108)	(8108)	(8108)	0	0
Other ordinary expenses	0	0	0	0	0	0
Extraordinary expenses	0	0	0	0	0	0
Income tax	(33)	(33)	(33)	(33)	0	0
Total expenses	(20155,5)	(20107,5)	(20378,99)	(20732,92)	0	-48
Net income (loss)	(169)	512,276	532,94	656,832	681,276	825,832
Provide material incentives	0	45,0	72,0	101,45	27,0	29,45

According to the above changes, we calculate the financial stability, solvency and profitability indicators that will change as a result of the proposed measures – Tables 3.4 – 3.5.

Table 3.4

Financial sustainability forecasts of LLC “B2b Soft”

Financial indicator	2019	Forecast	Absolute difference
1. The ratio of independence	0,574	0,785	0,211
2. The ratio of borrowed and own funds	0,742	0,273	-0,469
3. Share of receivables in property value	0,281	0,149	-0,132
4. Share of own and long-term borrowings	0,574	0,785	0,211

Thus, the financial sustainability of the company will improve significantly, as predicted. In particular:

- the ratio of independence will be improved by 0.211 points;
- the debt-to-equity ratio is projected to fall by 0.469 points;
- the share of receivables in the value of property will be reduced by 0.132 points;
- the share of own and long-term borrowings will increase by 0.211 points.

Solvency indicators (liquidity) are given in the table 3.5.

From the table. 3.5 is seen that the forecasted solvency (liquidity) indicators of LLC “B2b Soft” are much better than in 2018. In particular:

- the forecast absolute liquidity ratio is 0,873 points more than the previous year, which indicates a positive trend, i.e. the company can repay its current debt on time;
- the term liquidity ratio will increase by 0.035 points. This means that the liquidity of the enterprise to a greater extent covers its short-term debt;

Table 3.5

Solvency indicators (liquidity) forecasts of LLC “B2b Soft”

Financial indicator	2019	Forecast	Absolute difference
1. Absolute liquidity ratio	0,005	0,878	0,873
2. Ratio of urgent liquidity	0,661	0,696	0,035
3. Overall liquidity ratio	1,571	3,105	1,534
4. Share of stocks in the amount of short-term liabilities	0,905	1,531	0,626

- the overall liquidity ratio will increase by 1,534 points;
- the share of short-term liabilities will increase by 0.626 points.

Forecasted profitability level is given in the table 3.6.

Table 3.6

Profitability estimates of LLC “B2b Soft”

Financial indicator	2019	Forecast	Absolute difference
Profitability of sales	-0,008	0,025	0,033
Profitability of the enterprise (total capital)	-0,024	0,092	0,116
Return on fixed assets and other non-current assets	-0,09	0,278	0,368
Return on current assets	-0,033	0,138	0,171
Return on equity	-0,05	0,138	0,188
Overall profitability ratio	-0,007	0,016	0,023

Thus, the data in table. 3.6 show that:

- sales profitability estimate showed 2.5 kopecks of net profit for each hryvnia of

net sales revenue, an increase of 0.033 points;

- the profitability indicator of the enterprise showed 9.2 kopecks of net profit according to the forecast, growth of the indicator for the period amounted to 0,116 points;

- the rate of return on fixed assets showed 27.8 kopecks of net profit for each hryvnia invested in fixed assets of the enterprise according to the forecast, the growth of the indicator for the period amounted to 0.368 points;

- return on current assets showed 13.9 kopecks of net profit per 1 UAH of current assets are projected to increase 0.171 points;

- the return on equity showed 13.9 kopecks of net profit for each hryvnia of the capital of LLC according to the forecast, the growth of the indicator was 0,188 points;

- the indicator of the overall profitability according to the forecast revealed 1.6 kopecks of net profit for each hryvnia of net sales revenue and income from other operations of the enterprise, the growth of the indicator was 0.023 points.

Therefore, the proposed measures are economically feasible for introduction in activity of LLC “B2b Soft” and will make a profit of UAH 681,276 thousand at the end of 2020.

Table 3.7

Summary table of indicators of the financial and economic activity of the enterprise LLC “B2b Soft”

Insicators	2019	After suggested measures		
		2020	2021	2022
Profitability indicators of LLC “B2b Soft”				
Profitability of sales	-0,008	0,025	0,031	0,034
Profitability of the enterprise (total capital)	-0,024	0,092	0,1	0,15
Return on fixed assets and other non-current assets	-0,090	0,278	0,321	0,332
Return on current assets	-0,033	0,138	0,3	0,45
Return on equity	-0,050	0,138	0,2	0,2

Table 3.7 continued

Overall profitability ratio	-0,007	0,016	0,03	0,035
Financial sustainability indicators of LLC “B2b Soft”				
Independence factor	0,574	0,785	0,8	0,82
Debt to equity ratio	0,742	0,273	0,3	0,3
Share of receivables in property value	0,281	0,149	0,16	0,175
Share of own and long-term borrowings	0,574	0,785	0,87	1,89
Solvency Ratios (Liquidity) of LLC “B2b Soft”				
Absolute liquidity ratio	0,005	0,08	0,089	0,93
Urgent liquidity ratio	0,661	0,696	0,81	0,94
Overall liquidity ratio	1,571	2,43	2,78	3,1
The share of inventories in the amount of short-term liabilities	0,905	1,531	1,46	1,61

Thanks to the proposed measures, it is projected for 2020-2022 to improve the financial and economic activity of LLC “B2b Soft”, namely: to improve the financial stability, solvency and profitability of the enterprise. Implementation of the proposed measures will ensure in 2020 for LLC “B2b Soft” to receive an additional 5% increase in sales of products (+542.57 thousand UAH), which can reduce its accounts receivable by 942.09 thousand UAH. The forecast for 2020-2022 improvement of financial and economic activity of the enterprise is implemented, namely: improvement of financial stability, solvency and profitability of the enterprise. Therefore, the proposed measures are economically feasible for the introduction in activity of LLC “B2b Soft” and thus currently suggested business strategy is consequently in fluencing enterprise to achieve its highest efficiency.

CONCLUSIONS

The enterprise strategy is designed in the right direction, as evidenced by the prompt diagnosis of the financial and economic condition of the enterprise, bankruptcy of the enterprise is not threatened. The company has weaknesses, but the management of the company takes into account this factor and further overcomes it.

As a result of the study, a full analysis of the enterprise was conducted. The analysis of the activity of LLC “B2b Soft” includes the analysis of its activity, diagnostics of the strategic position of the enterprise, operative diagnostics of the financial and economic state of the enterprise, analysis of bankruptcy threat and development of recommendations for improving the strategic and operational contours of enterprise management. The operative diagnostics of the financial and economic condition of the enterprise was done by such indicators as property status, liquidity, financial stability, business activity and profitability of the enterprise. Each of these analyzes and types of work helps to evaluate the enterprise, both from a specific side and from the whole, which helps to draw the right conclusions and to develop ways of realizing opportunities and overcoming deficiencies.

The development of recommendations to improve the strategic and operational contours of enterprise activity was based on all the above analyzes of the enterprise and its own vision of the situation, strategy, prospects of LLC “B2b Soft”. Outsourcing an IT development and technical support function is a strategy for Corporation ‘B2b Soft’. Using services of external contractors in Ukraine that are specialists in development and support of the main product – POS software, helps to increase the competitiveness of parent company in dynamically developing industries, as well as gain access to the necessary professional resources with a certain reduction in their own costs to solve the tasks simultaneously.

Ways to increase the competitiveness of the enterprise withing the selected business strategy were also identified and analyzed. The enterprise's strategic position was described through SWOT analysis. A survey of LLC “B2b Soft” market environment has identified the strengths and weaknesses of the company, as well as

the opportunities and threats posed by the company's external environment. The financial condition of the company, which indicates the normal financial position of LLC “B2b Soft”, was also investigated.

Assessment of environmental factors that directly affect the business activities of LLC “B2b Soft”, as well as taking into account the components of the internal environment allows us to recommend the following management actions of a strategic nature:

1. Continue to follow the intended course of marketing policy, reinvest profit into the development of the enterprise;
2. Diversify activities in Ukraine;
3. Develop products made by the enterprise.

An effective business consistently brings in positive results and ends the day with an encouraging bottom line. An efficient business runs smoothly with fewer resources and often has a quick turnover. A company's effectiveness can be easily measured by focusing on key performance indicators (KPIs). When it comes to promoting efficiency, management's strategic decisions are often focused on reducing resources, while utilising time-saving strategies. For LLC “B2b Soft” such strategic indicators of enterprise efficiency analyzed in relation to the developed business strategy are increasing solvency and liquidity ratios, debt to equity index, independence index and a whole group of profitability indicators: sales, total capital, fixed assets, current assets and equity. Also efforts should be put to saving response time and duration of calls for customer support, closing tickets for operations team and fixing bugs for development department, as well as improving employee communications and reducing time wasted in staff meetings. All these measures suggested in this thesis are aimed at increasing long-term efficiency of the chosen business strategy for LLC “B2b Soft”. Thus in 2020-2022 financial stability, solvency and profitability of the enterprise will increase and implementation of the proposed measures will ensure in 2020 for LLC “B2b Soft” to receive an additional 5% increase in sales of products.

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Appendix A

Table A.1

Analysis of current assets turnover of LLC "B2b Soft"

Indicator	2016	2017	2018	Variance 2018-2016 (+,-)
1	2	3	4	5
Revenue from sales of services, thsd. UAH	21743,82	21019,96	32877,69	11133,87
Total assets, thsd. UAH	4213,56	3575,26	10951,2	6737,64
Equity, thsd. UAH	2137,72	2143,96	2168,4	30,68
Total current assets	1356,42	854,62	30880,2	29523,78
Inventories	596,96	514,28	1471,6	874,64
Accounts receivable	743,86	286,52	2145	1401,14
Accounts payable	1962,74	1424,54	722,8	-1239,94
Total equity turnover	0,53	0,6	0,31	-0,22
Equity turnover	1,04	1,01	1,56	0,52
Mobile funds turnover	1,65	2,53	0,69	-0,96
Turnover of tangible working capital	3,74	4,2	2,3	-1,44
Accounts receivable turnover	3	7,54	1,57	-1,43
The average term of accounts receivable turnover	119,89	47,77	228,64	108,75
Accounts payable turnover	1,14	1,52	4,67	3,53
The average term of accounts payable turnover, days	316,34	237,5	77,04	-239,30

Appendix B

Table B.2

Forecast of statement of financial results of LLC "B2b Soft"

Indicator	Forecast for the beginning of 2020	Forecast for the end of 2020	Forecast for the end of 2021	Forecast for the end of 2022	Absolute difference	
					2021-2020	2022-2021
Revenue (revenue) from sales of products (goods, works, services)	25013,2	25555,77	26123,66	26718,44	542,57	1705,24
Indirect taxes and other deductions from income	(5026,7)	5111,154)	5224,732)	(5343,688)	84,454	316,988
Net income (sales) from the sale of products (goods, works, services)	19986,5	20444,62	20896,93	21374,752	458,116	1388,252
Other operating income	0	0	0	0	0	0
including income from the initial recognition of biological assets and agricultural products	0	0	0	0	0	0
Other ordinary income	15	15	15	15	0	0
Extraordinary income		160,16	0	0	160,16	160,16
Total net income	20001,5	0619,78	20911,93	1389,752	518,276	388,252
Increase (decrease) in balances of work in progress and finished goods	(582,3)	(39,73)	274,09	625,23	542,57	1207,72
Material costs	10851,4)	1393,97)	11707,89	1059,12	542,57	1207,72
Salary expenses	(140,9)	(140,9)	(140,9)	(140,9)	0	0
Deductions for social events	(53,7)	(53,7)	(53,7)	(53,7)	0	0
Amortization	(85,2)	(85,2)	(85,2)	(85,2)	0	0
Other operating expenses, including	(301)	(253)	(253)	(253)	0	-48
The purchase price of goods for trade	(8108)	(8108)	(8108)	(8108)	0	0
Other ordinary expenses	0	0	0	0	0	0
Extraordinary expenses	0	0	0	0	0	0
Income tax	(33)	(33)	(33)	(33)	0	0
Total expenses	(20155,5)	(20107,5)	(20378,99)	(20732,92)	0	-48
Net income (loss)	(169)	512,276	532,94	656,832	681,276	825,832
Provide material incentives	0	45,0	72,0	101,45	27,0	29,45