

## Розділ 3

### Інноваційний менеджмент

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#### THE ELEMENTS OF INNOVATIVE MANAGEMENT IN A FINANCIALLY SUSTAINABLE DEVELOPMENT OF INDUSTRIAL ENTERPRISES

*The importance of financial stability for maintaining of the financial potential and economic growth of the whole national economic system has been substantiated, the indices of company's financially stable development have been defined, a complex methodological approach to the assessment of company's financially stable development has been proposed.*

Keywords: enterprise, financial analysis, financial stability, components of financially-stable development, high-quality methods, types of financial state, efficiency.

**Problem definition** in general and its relation to important scientific and practical tasks. At the present stage of economic development, it becomes evident that the financial security of a country can be achieved only by ensuring of financial stability of such its components as industries, industrial complexes, enterprises, and organizations. The financial stability of each separate enterprise allows the whole economic system of the country not only to keep its potential, but also ensure further economic growth. That is why economic stability, at the time of economic transformation and development of economic relations, becomes a prerequisite for company security and competitiveness. The importance of financial stability for building of a competitive economy made this study actual and urgent.

**Analysis of latest studies** in which the solution of the problem is initiated. Today's problems of financially stable development of industrial enterprises were examined in works by V.P. Astakhov [1], S.P. Baranenko [2], A.V. Grachov [3], L.A. Kostyrko [4], L.O. Ligotenko [5], N.A. Mamontova [6], M.O. Kyzym [7], A.N. Folomev [8], J. Shinasi [9], A. Krocket [10], F. Myshkin [11] et al. in which its scientific substantiation was made and approaches to solution of the problem were developed.

As native and foreign experience shows, the formation of scientific-methodological approaches to the improvement of means and mechanisms of the influence of standardization and certification on the competitiveness of an economy in the situation of globalization and integration became extremely necessary, it will ensure efficient process implementation in future.

**The objective of the article** is to determine components of company's financially stable

development, to elaborate a methodological approach to financial stability assessment based on a complex combination of qualitative and quantitative indices.

**Description of the main research material and substantiation of scientific results obtained.** Different approaches to defining of the essence and meaning of economic stability have one thing in common: company's stability is affected by both internal and external operational factors and its achievement is the result of the implementation of a number of managerial actions aimed at reducing or stopping of the negative influence of destabilizing factors; as a result, the company regains the state of balance due to its own or attracted resources, which ensures further progressive development by maintaining of the profitability of its activities. After analyzing of the literature, it is suggested to consider company's financial stability as a result of its capacity of maintaining of the main indexes of its production and financial activities at a preset level under constant influence of internal and external factors. It is pointed out that the company as an integral economic system comprises a great number of structural elements. The isolation of the components of financial stability should be based on the principles of balance and ensuring of future growth of the production system itself. As company's financial stability is formed in the process of its production and financial activities and is maintained and reproduced at the stages of product realization and distribution, then it will be expedient, in our opinion isolating of such functional components as production, management, innovation, marketing, financial and business (market) ones. Special attention here should be given to financial and business stability as the main indicators of company's effectiveness, quality and development prospects. They serve as control sections in the system of economic stability control. The components of the financially stable development of an industrial enterprise are presented on Figure 1.

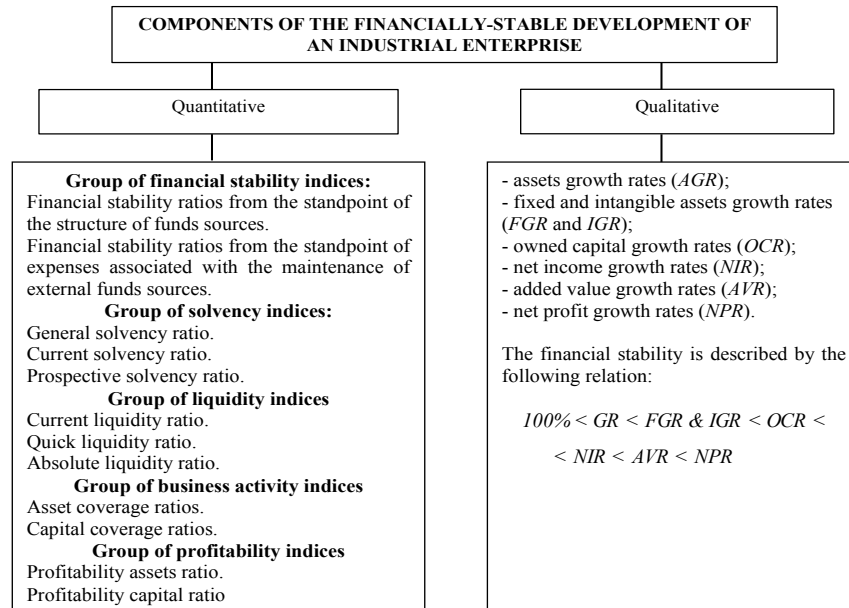


Figure 1 – Components of the financially-stable development of an industrial enterprise, (elaborated by the author)

The indices characterizing the degree of company's financial stability and its ability to development, first of all are quantitative indices to which financial stability, solvency, liquidity, business activity, profitability indices should be referred.

However, maintaining of the financial stability requires not only quantitative but also qualitative assessment.

The efficiency of company's development and improvement of its financial stability is described by the following relation:

$$100\% < AGR < FGR \& IGR < OCR < NIR < AVR < NPR. \quad (1)$$

The analysis of the main procedures of the assessment of company's financial stability showed the necessity of using of fundamental analysis means in addition to express-diagnostics methods, which allows to predict the emergence and evolution of destabilizing processes in a company and to develop managerial decisions aimed at the restoration of disturbed balance and ensuring steady development in future. Financial stability acts as a complex characteristic of company's activity and is in functional dependence on a number of definite factors. As indices determining the degree of company's economic stability have different orientation and effect on the general results of its activity, it is expedient to do the quantitative assessment of the economic stability of an industrial enterprise using the average sum of chosen criteria according to the following formula:

$$K_{FSi} = \sum_{i=1}^m A_i \left( \sum_{j=1}^n B_{ij} \cdot G_{ij} \right), \quad (2)$$

where  $K_{FSi}$  – an integral index of company's financial stability;  $m$  – the number of financial stability components;  $j$  – the number of the group of the indices which characterize individual components of financial stability;  $n$  – number of the criteria of the assessment of company's financial stability in the  $i$ -th group of indices;  $i$  – unit index of financial stability assessment of the  $i$ -th group;  $A_i$  – a weight coefficient which allows for the degree of significance of the  $i$ -th component in the structure of company's economic stability;  $B_{ij}$  – weight coefficient which takes into account the significance of the  $j$ -th index in the  $i$ -th component of economic stability;  $G_{ij}$  – standardized unit index of company's economic stability, which secwres chosen assessment criteria to the united system of measurements.

The analysis of the components of company's financial stability allows to assess its inner potential and reveal opportunities and development prospects in future, as well as define company's strong and weak sides compared with competitors. The financial stability is a prerequisite of company's further development as it ensures timely and complete fulfillment of company's obligations to the staff, creditors, stockholders, founders, and the budget. Today financial stability is the main index of the assessment of economic stability and the degree of the balance of all company's subsystems. The method of the calculation of company's financial stability was applied in practice using a financial ratios system taking nine material mining equipment companies of Donetsk region, Ukraine, as an example. The results are presented in Table 1. The results of analytical calculations obtained during the assessment of the financial stability of the material mining equipment companies, show that virtually all ratios do not match standard values. It connected directly with problems in product sale on the

domestic market, increasing costs, production unprofitability and the absence of real possibilities of own circulating assets replenishing, as well as smaller stock of orders. However, it should be noted that the positive factor is the emergence of a slow tendency towards an increase of values in all the groups of financial condition indices.

*Table 1 – Analysis of the condition and dynamics of the change of financial stability indices for material mining equipment companies in 2011-2012*

Indices	At the beginning of the period	At the end of the period	Index change dynamics over the period	Value at which company's financial security is attained
<b>1. Group of financial stability ratios</b>				
1.1. Absolute autonomy ratio	0,1021	0,0999	-0,0022	>0,5
1.2. Long-term financial independence ratio	0,2746	0,4061	0,2746	>0,85-0,9
1.3. Financial stability ratio	0,1137	0,1176	0,0039	>1,0
1.4. Ratio of the coverage of attracted funds with own capital	0,1137	0,1109	-0,0028	>=1,0
1.5. Circulating assets coverage ratio	1,0889	1,6053	0,5164	>1,0
1.6. Long-term investment structure ratio	2,0582	1,2824	-0,7758	>0,5-0,8
<b>2. Group of solvency ratios</b>				
2.1. General solvency ratio	1,0889	1,6054	0,5165	>1,0
2.2. Current solvency ratio	0,1602	0,0234	-0,1368	>1,0
2.3. Expected solvency ratio	5,9386	7,1355	1,1969	>1,0
<b>3. Group of liquidity ratios</b>				
3.1. Current liquidity ratio	1,0889	1,6054	0,5165	>1,0-1,5
3.2. Quick liquidity ratio	0,8354	1,3119	0,4754	>0,5-1,0
3.3. Absolute liquidity ratio	0,0225	0,0043	-0,0182	>0,2-0,35
<b>4. Group of business activity ratios</b>				
4.1. Assets coverage ratio	0,6681	0,8425	0,1744	increase
4.2. Non-circulating assets coverage ratio	3,1808	6,5785	3,3987	increase
4.3. Circulating assets coverage ratio	0,8458	0,9662	0,1204	increase
4.4. Own capital coverage ratio	6,5468	8,4364	1,8897	increase
4.5. Permanent capital coverage ration	2,4334	2,0748	-0,3586	increase
4.6. Attracted capital coverage ratio	0,7441	0,9919	0,2478	increase
<b>5. Group of profitability ratios</b>				
5.1. Return on assets ratio	-0,0623	0,1185	0,1808	increase
5.2. Return on capital ratio	-0,6102	1,1862	1,7964	increase

A previous generalization of the results gives grounds to say that companies face such a situation when, on the one hand, reasonable assets management policy favours the stabilization of cash flows (this results in a considerable reduction of bills payable and improvement of financial activity results) and, on the other hand, there is a systematic reduction in the financing of major activities, which leads to a loss of competitive positions.

That is, despite general improvement of activity indices one can speak about the existence of hidden destabilizing factors which can provoke a crisis. Such a situation requires radical actions to determine, assess and neutralize such factors.

In the process of the analysis of factors ensuring the financial stability of material mining equipment companies as a constituent of an innovative management, a method of the integral estimate of company's stability has been proposed, which allows not only to take into account actual values of its activities but also to assess its role in ensuring company's stable development, provides for an estimate of functional dependence of a set of factors inherent in the particular production. This approach makes it possible to get analytical information on business development dynamics, reveal problems in company operation and existing untapped reserves for overcoming external threats.

During testing of integral estimate techniques it was determined, that for the researched totality of enterprises the status of financial stability is a short-lived phenomenon which is too sensitive to changes in operation environment. The percentage of financially stable companies has a clearly descending trend, which denotes the strengthening of destabilizing processes in the production of material mining equipment. A detailed analysis of the disturbance of the financial stability of the companies showed that the loss of general balance causes occurred individually in each separate case, however, in general, they are variants of two totally different basic scenarios. According to the first scenario, the loss of financial stability occurs suddenly, as a result of certain extraordinary events, and, as a rule, is accompanied by a loss of a considerable part of assets. The extent of the effect of destabilizing factors is such, that the company cannot adapt to new conditions for a long time.

As a result, the consistency of cash flows is disturbed, production profitability decreases greatly, sales markets are lost, internal conflicts and relations with business partners become more acute. The absence of a smooth system of corporate management leads to an increase in financial losses and bankruptcy risks in nearest future. According to the second scenario, the loss of financial stability occurs through a relatively slow increase of the deviations of the values of company's activity indices from their optimal values.

This process is smooth and invisible at the beginning but, in case that no stabilization measures are taken in proper time, this may lead to an increase of uncontrollable yield reduction and even to direct losses from the main operational activity.

Under such circumstances the national producers can continue to work only by revising strategic objectives of activity and looking for new ways of growth.

**Conclusions and directions of further researches.** In this way, the research and generalization of its results allow to state that the proposed method of the integral estimate of company's financial stability has considerable advantages, namely: ability of the complex assessment realization of company's financial stability; high flexibility which is demonstrated through the capability of taking into account the conditions and peculiarities of the operation of a specific company in the calculation of the integral index; allows not only to take into consideration absolute index values but also assess the direction and the degree of effect on the general economic results of company's activity. Estimating the prospective of the further studies, one has to point out to the necessity of determining of the actual values of key

indicators and the final indicator of financial stability within groups of enterprises in different economic sectors for the time period 2002-2014. This will allow to obtain the reference values of these indicators, comparing them to each other and finally determining of the actual level of financial stability of the enterprise under study and its potential for development.

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**Елементи інноваційного менеджменту в управлінні фінансово стійким розвитком промислового підприємства**

*Обґрунтовано значення фінансової стійкості для забезпечення фінансового потенціалу та економічного зростання всієї господарської системи країни, визначено складові фінансово стійкого розвитку підприємства, запропоновано комплексний методичний підхід до оцінки фінансово стійкого розвитку підприємства, що дозволяє враховувати не лише абсолютні значення показників, а й оцінити їх спрямованість і силу впливу на загальні фінансово-економічні результати діяльності підприємства.*

Ключові слова: фінансова стійкість, стійкий розвиток, кількісні та якісні складові, комплексний методичний підхід, інтегральний показник.

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**Элементы инновационного менеджмента в управлении финансово устойчивым развитием промышленного предприятия**

*Обосновано значение финансовой устойчивости для обеспечения финансового потенциала и экономического роста всей хозяйственной системы страны, определены составляющие финансово устойчивого развития предприятия, предложен комплексный методический подход к оценке финансово устойчивого развития предприятия, позволяющий учитывать не только абсолютные значения показателей, но и оценить их направленность и силу влияния на общие финансово-экономические результаты деятельности предприятия.*

Ключевые слова: финансовая устойчивость, устойчивое развитие, количественные и качественные составляющие, комплексный методический подход, интегральный показатель.

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