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## DIPLOMA WORK

on the topic «EXPORT ACTIVITIES OF THE ENTERPRISE:  
EFFECTIVENESS EVALUATION AND WAYS OF  
IMPROVEMENT»

Master student of 2th year, group ME.m-71a  
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Kateryna Svichkar

Supervisor: Doctor of economics,  
professor Fedir Zhuravka

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## ABSTRACT

The relevance of the research topic is predetermined by the fact that in current business conditions the issues of increasing profitability are particularly relevant for enterprises. One of the ways to achieve such goals is to increase the effectiveness of the enterprise's export activities.

The integration of Ukraine and, accordingly, domestic economic entities into the world economy requires their continuous development. The importance of foreign trade activities is increasing, both for the entire economy and for the economy of a particular region and enterprise. The growth of foreign trade turnover is ensured primarily due to the accelerated growth in exports.

Export activity has acquired great importance for the economy, since many industrial enterprises are export-oriented, and a significant part of the state's budget is formed through customs payments from the export activities of enterprises.

Foreign economic activity of an enterprise is a sphere of economic activity related to international industrial integration and cooperation, export and import of goods and services, and access to the external market. Foreign economic activity, and in the framework of this paper, export activity is one of the most important areas of activity of Ukrainian enterprises at the present stage.

Therefore, at the present stage of development of Ukrainian enterprises, it is very important to develop a scientific and methodological basis for managing the export activities of an enterprise and to improve its organizational, economic and methodological support.

The goal of the master's qualification research is to assess the conditions and to identify trends in the development of export activities of the "PRPI Praktyka" in order to improve their effectiveness.

The object of the research is "PRPI Praktyka", which is engaged in grinding works, providing services on mechanical processing of metal, complex maintenance of

pumps, compressors and other equipment.

The subject of the research is the export activities of the “PRPI Praktyka”.

To achieve the goal of the work, the following research methods were used: analysis, comparisons, expert assessments and forecasting, integral indicator method, SWOT analysis, etc.

The information base of the research is represented by the regulatory and legal acts of Ukraine, publications in periodicals, official internet resources, as well as internal documentation of the “PRPI Praktyka”.

The main scientific results of the work is as follows:

- Consideration the theoretical aspects of the organization of export activities of the enterprise;
- Evaluation of the economic condition of the “PRPI Praktyka”;
- The analysis and evaluation of the export potential of the “PRPI Praktyka”;
- Development of measures for improving the export activities of the “PRPI Praktyka” and justify their effectiveness.

The practical significance and novelty of the research is the development of measures aimed at improving the effectiveness of the export activities of the “PRPI Praktyka”, which will help to strengthen the competitive position of products and the enterprise as a whole, both at the national and global markets.

**Keywords: EXPORT, EXPORT POTENTIAL, EFFECTIVENESS OF ENTERPRISE’S ACTIVITY, MAXIMIZATION OF PROFIT, FOREIGN MARKETS.**

The content of the qualifying work is set out on 73 pages, including the list of used sources of 80 titles, placed on 9 pages. The work contains 16 tables, 15 figures, as well as 2 appendixes, located on 5 pages.

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студенту 2 курсу, групи МЕ.м-71а

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## INTRODUCTION

The relevance of the research topic is predetermined by the fact that in current business conditions the issues of increasing profitability are particularly relevant for enterprises. One of the ways to achieve such goals is to increase the effectiveness of the enterprise's export activities.

The integration of Ukraine and, accordingly, domestic economic entities into the world economy requires their continuous development. The importance of foreign trade activities is increasing, both for the entire economy and for the economy of a particular region and enterprise. The growth of foreign trade turnover is ensured primarily due to the accelerated growth in exports.

The revitalization of export activities is the basis for the recovery and further development of the economy, since export is the main source of foreign currency, which is necessary for the purchase of equipment and goods abroad and also to ensure financial stability. Export activity has acquired great importance for the economy, since many industrial enterprises are export-oriented, and a significant part of the state's budget is formed through customs payments from the export activities of enterprises.

Foreign economic activity of an enterprise is a sphere of economic activity related to international industrial integration and cooperation, export and import of goods and services, and access to the external market. Foreign economic activity, and in the framework of this paper, export activity is one of the most important areas of activity of Ukrainian enterprises at the present stage.

Therefore, at the present stage of development of Ukrainian enterprises, it is very important to develop a scientific and methodological basis for managing the export activities of an enterprise and to improve its organizational, economic and methodological support.

The aim of the master's qualification research is to assess the conditions and to identify trends in the development of export activities of the "PRPI Praktyka in order to improve their effectiveness.

In order to achieve the goal the following tasks were settled:

- to consider the theoretical aspects of the organization of export activities of the enterprise;
- to assess the organizational and economic state of the "PRPI Praktyka";
- to analyze and to evaluate the export potential of the PP "PRPI Praktyka";
- to develop measures to improve the export activities of the PP "PRPI Praktyka" and justify their effectiveness.

The object of the research is "PRPI Praktyka", which is engaged in grinding works, providing services on mechanical processing of metal, complex maintenance of pumps, compressors and other equipment.

The subject of the research is the export activities of the "PRPI Praktyka".

Theoretical and methodological basis of the research: theoretical studies in the field of research the foreign economic activity of the enterprise were considered, the experience of increasing the export activity of the enterprise was systematized based on the research of both domestic and foreign authors such as C. Hoffmann [61], F. Morais [74], A. Bondareva [4], S. Kosenko [13], J. Markusen [72], B. Felic [57], T. Golubeva [8], L. David [51], P. Buckley [46], and others.

The empirical basis of the research is represented by the regulatory and legal acts of Ukraine, publications in periodicals, official internet resources, as well as internal documentation of the "PRPI Praktyka".

Research methods: the general methodological basis for the final qualifying work was the system, comparative and structural-functional methods. The diploma also used the methods of analysis, comparisons, expert assessments and forecasting, integral indicator method, SWOT analysis.

The practical significance and novelty of the research is the development of measures aimed at improving the effectiveness of the export activities of the "PRPI Praktyka", which will help to strengthen the competitive position of products and the enterprise as a whole, both at the national and global markets.

The structure of the qualifying work consists of introduction, three chapters, conclusion and references.



# CHAPTER 1

## THEORETICAL ASPECTS OF EXPORT ACTIVITY ORGANIZATION OF THE ENTERPRISE

### 1.1 Concepts and essence of the export activity of the enterprise

Complex economic transformations occurring today in Ukraine make the inevitable integration of Ukrainian enterprises into international economic relations. While entering world market, domestic enterprises fall into a fundamentally new competitive environment, which is characterized by the diverse interests of competing parties, dynamism and aggressiveness. Today's foreign economic activity is precisely the perspective option of managing, which has the ability to harmoniously combine the interests of the state in achieving political and economic independence with the interests of enterprises in maximizing profits and in its redistribution.

Therefore, at the present stage of development of Ukrainian enterprises, it is very important to develop scientific and methodological principles of managing the export activity of the enterprise and improve its organizational, economic and methodological support [10].

The scientists involved in the study of foreign economic activity interpret the definition of export differently, but in order to understand the essence of the term as much as possible, as many interpretations as possible should be considered.

The most common view is that export is intended to sale goods and services in foreign markets or to process them in another country. The export also includes transportation of goods by transit through another country and the export of goods brought from another country for sale in a third country (re-export) [49].

Leonidas L.C. consider exports as goods and services produced internally and sold abroad [68].

According to Eldrede T., export is taking out of goods, works, services, results of intellectual activity (including exclusive rights to them) and capital from the economic territory of the country without the obligation of re-import. The main criterion of exports

as the completion of a foreign trade operation is the intersection of the products of the state border of the exporting country, the provision of services or the transfer of ownership of goods sold to foreign buyers for using on the territory of the exporting country [56].

Markin I. understood the definition of export as a sale at the foreign market of a product which produced in the domestic market [19].

At the same time, Ukrainian law “about Foreign Economic Activity” gives another definition of export. Export (export of goods) - the sale of goods by Ukrainian entities of foreign economic activity to foreign entities economic activity (including payment in non-monetary form) with the export or without the export of these goods through customs border of Ukraine, including the re-export of goods. This term means the sale and export of goods to foreign entities of economic activity from Ukraine, that were previously imported into the territory of Ukraine [27].

Summarizing previous studies, it can be said that exports is an activity that focuses on the sale and export of goods, services, results of intellectual activity and capital for the purpose of transferring them into ownership to a foreign counterparty.

The main properties of the export are the export contract with a foreign counterparty and crossing the border of the exporter’s country by the goods [2]. Also, one of the necessary conditions for export is the availability of goods that are in demand in the foreign market [17].

Enterprises export their products for various reasons, but most often they are following [26]:

- 1) it is more profitable to diversify, while exporting their products, instead of developing a new one for the domestic market;
- 2) the product is at the stage of maturity of the life cycle at the local market and at the stage of growth in the external market;
- 3) seasonal demand for goods;
- 4) less competition on the foreign market;

Depending on the volume and intensity of export operations, there are [24]:

- irregular exports;
- regular export.

In case of irregular export, the enterprise is on the passive level of involvement in international activities; at that moment, it sells off its surplus products to local intermediaries who represent the interests of a foreign company. At the same time, the main purpose of regular export is to expand export operations and the company's focus on specific foreign markets. In this case, we can talk about the active involvement of the enterprise in international activities. When exporting goods and services, an enterprise can enter the external market itself or indirectly with the help of external specialists who may be located in the country or abroad [11]. Thus, there are such types of export [6]:

- direct export;
- indirect export.

In case of direct export, sales are made through their own sales personnel, it is used only in cases when consumers are easy to identify or in case when they find seller themselves. Direct export can be done through [33]:

- Export department. It is engaged in the promotion of goods to foreign markets;
- Paid sales representative. In this case, the employee is sent on a business trip abroad, where he represents the product, on the market, etc .;
- Representative offices. It is a kind of team, the main purpose of which is to make deals, to stimulate and control the work of national distributors;
- Technical assistance abroad. Its main task is to assist in the development of projects, personnel training, equipment commissioning, information transfer in the field of production organization and management.

In its turn, indirect export, or delegation of authority without investment, has various forms. The transfer of export authority involves sales systems through sales channels that are located in one or more countries and belong to another enterprise [66]. The exporter uses this form of sales when he is not strong enough to work alone on the foreign market. It is worth mentioning that there is a need to carefully select export partners, since each side can “lose”. A small exporter company is at risk of being taken over by an intermediary if products are successfully marketed or at least feel subservient. In turn, the intermediary company should pay attention to such factors as product quality, the export strategy of the company, as it risks harming its image at the external market [53].

At the same time, before the export operation, a comprehensive market research should be carried out by the seller. There are many aspects of exports (Fig. 1.1) First of all the exporter should pay attention to [3]:

- study of the market for a particular product, which means identifying the actual and expected demand for it, determining the price level, based on existing sources of information on which the product can be offered on the market, the trends of their change;

- study of trade, political, transport and legal conditions of work in the market, including the content of intergovernmental agreements regulating the importation of goods, the system of state regulation of foreign trade in the importing country, including the level of customs duties on goods offered by the exporter, non-tariff barriers - prohibitions and restrictions on the use quotas and obtaining licenses, product certification requirements, railway tariffs and freight rates, insurance legislation, and legislation in regulating the activities of foreign companies in the country - buyer, etc.;

- study of the firm structure of the market, the definition of enterprises that play a leading role at the market of a certain product and can be both – potential partners and competitors, a study of the forms and methods of their work in the market.

Speaking about the export of goods, it should be said that it is a rather complicated area in the field of foreign economic activity, in this connection, special tools of state regulation of export of goods abroad are used [31]. These include tax and tariff regulation, currency control, various non-tariff measures [34]. In addition, the export must be carried out in accordance with certain requirements that are specified in the legislation of a country. First of all, only under the condition that all export customs duties are paid and all the required customs payments are made, the goods can be exported. Secondly, all measures of financial and economic policy should be observed. Also the measures should be provided, that are designated by the Code and other legislative acts of the state on customs.

Nowadays in Ukraine there are acute problems of improvement of customs regulation of foreign trade caused by, changes in the foreign trade relations, such as the signing of the agreement on free trade zone with the EU and participation in the World Trade Organization [20]. In addition, due to the economic crisis of recent years, the purchasing

power of the Ukrainian consumer has fallen, so it is an additional argument in favor of entering foreign markets.

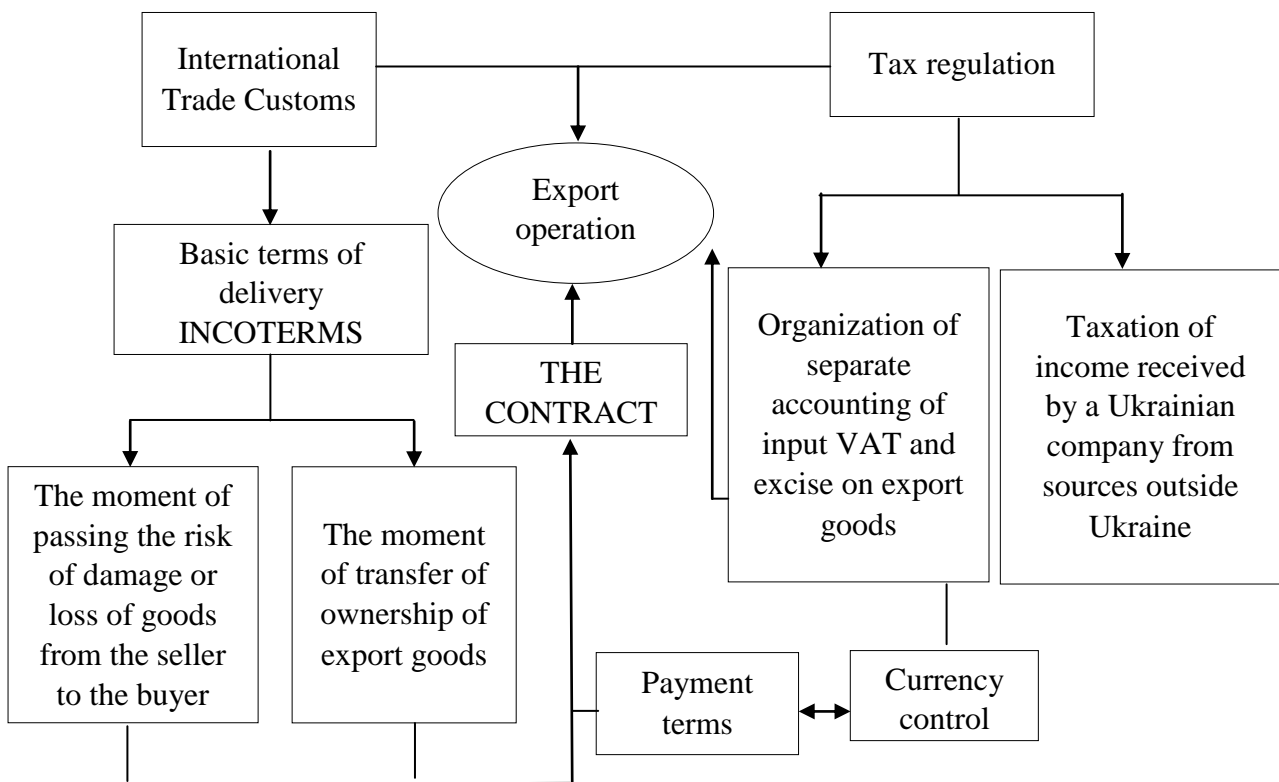


Figure 1.1 – Features of the export transactions

Ukraine regulates the relations arising in connection with the movement of goods and vehicles across the customs border. But the complexity of improving customs regulation is not connected with an attempt to link its provisions with the system of international regulation, but with the need to form a systematic approach to making state decisions in the customs sphere [12]. This is due to the fact that customs regulation is closely related to the fiscal and monetary policy of the state.

## 1.2 Assessment indicators of export activity of the enterprise

The main condition for conducting an external economic operation is its effectiveness [5]. At the same time, at the moment, the concept of foreign economic activity has a complex and multidimensional nature. To fully calculate the efficiency, it is necessary to use a large number of other economic indicators that would show the development trend of foreign economic relations [8]. It should be taken into account the fact that foreign economic relations contribute to ensuring the optimal size of production of certain types of goods, the introduction of world achievements in the field of science and technology, obtaining the necessary raw materials and materials, expanding the range of products sold in domestic markets and others [39].

In addition, the efficiency of foreign trade operations, in our case, export, largely depends on the choice of the external market. Studies show that the organization during the planning of its international activities should make the selection of the most promising foreign markets, taking into account the possible implementation of a strategy for their development [13]. However, due to differences in markets and entry conditions, in most cases it is impossible or ineffective to develop these markets using the same strategy. In this regard, the development of a methodology for evaluating the effectiveness of an organization's export activities can be a tool both for choosing the external market itself and for determining the strategy for working on it.

The theoretical and methodological foundations of the study of the effectiveness of the export activity of the organization and usage of the export potential are described in the works of foreign and domestic economists, such as: F. Kotler, M.Porter M, I.Lifits, U.Azmina, Y.Aleksandrovich, A.Alekhnovich, V.Bondarenko, and others. Recommendations on the usage of indicators for evaluating the performance of an enterprise, set forth in the American Management Accounting Standard "Measuring entity performance" [60], are based on the usage of various financial indicators (net profit, cash flows, profitability investment, residual income, business value).

Professor of the Harvard School of Economics C. Hoffmann developed a methodology for assessing the efficiency of an enterprise based on a balanced scorecard (BSC), which involves four classic areas of performance evaluation: finance, market and customers, business processes, training and development. At the same time, the currently existing methodologies are focused primarily on the determination of indicators for the use of export potential without taking into account the specific features of both different sales markets and individual types of activities [61].

In addition, there is a necessity to use an integrated approach to assess the effectiveness of an enterprise from the standpoint of various interest groups. Due to the fact that an enterprise is an object of expectations from many social and economic subjects (owners, managers, employees, competitors, consumers, suppliers, investors, credit organizations, the state, etc.) with diverse interests, different criteria and approaches to the evaluation of effectiveness, the concept of effectiveness is interpreted differently, in accordance with the diversity of these subjects and their points of view [35]. Therefore, it is necessary to determine indicators that would express the interest of different subjects, according to the criteria of completeness of satisfaction of their interests, to evaluate the effectiveness of the activity.

For example, if we consider effectiveness from the standpoint of the owner, it is determined by the growth of the financial results of the enterprise, an increase in its value.

The top management of the company evaluates its effectiveness using a system of the following indicators, such as indicators of production, sales, service, financial indicators, etc [15].

In turn, the staff of the enterprise, evaluates the effectiveness of the ability to meet the socio-economic expectations, needs and interests of workers (payment and maintenance of labor, the possibility of personal self-realization, etc.), as well as ensuring safe working conditions, preserving the health and efficiency of workers.

Competitors determine the effectiveness of the company in the following internal and external areas: the effectiveness of business processes, development and rotation of personnel, innovativeness and expansion of the range and activities, pricing, growth in market share occupied by the company, range of services, PR, advertising, marketing

moves, interaction with the media.

Consumers evaluate the effectiveness of the enterprise on the following grounds: product quality, quality of service, opinion on prices, image of the manufacturer.

For suppliers and contractors, the effectiveness of an enterprise is determined by the level of performance of contractual obligations (for example, meeting deadlines for payment), quality of communications, diligence and responsiveness to the requirements and wishes of a partner.

Speaking of investors, they evaluate the efficiency of an enterprise in terms of profitability indicators, calculated on the basis of invested capital, i.e. return on investment, the payback period of their investments.

The state evaluates the effectiveness of an enterprise from the standpoint of its participation in solving a complex of social and economic tasks that are of vital interest to the state. The social aspect consists in additional workplaces, moral and psychological stability of workers who has a permanent job, etc [42].

From an economic point of view, the effectiveness of an enterprise for a state is determined by its ability to provide tax revenues to the budget. Actualization of environmental issues in modern technogenic society, toughening environmental standards led to the emergence of a new criterion of enterprise effectiveness from the standpoint of both the state and society as a whole - the environmental impact of an enterprise, the level of environmental safety in its production and economic activities [44].

Considering the presence of a multitude of multidirectional requests and expectations of subjects of the external and internal environment of an enterprise, it is necessary to evaluate its overall effectiveness, including the requirements of all its counterparties and the enterprise itself as an economic entity [30]. The system of performance indicators, adequate to the set strategic goals of the enterprise and allowing the best estimate of their implementation, should also take into account the peculiarities of the strategic orientation of the industrial enterprise, its specificity, the state of the external environment, the degree of its impact on the enterprise and other factors [4]. With all the variety of strategic goals an enterprise as a commercial organization, the primary task is to achieve the best



economic results, to extract the greatest mass of profits, taking into account the long-term development prospects and maximize the value of the enterprise.

Evaluating export from the standpoint of its participation in enhancing financial results as priorities for the enterprise, it should be noted that export provides foreign exchange earnings, an increase in domestic and foreign investment [23]. In addition, as it was mentioned earlier, exports stimulate competitiveness by improving the technical level of production and product quality. The implementation of export activities also increases the efficiency of the usage of natural resources and the advantages of the territorial division of labor, helps to reduce unemployment [1].

Based on the literature studied on this topic, techniques aimed at evaluating of effectiveness of export activities can be systematized as follows: export growth rate, the share of expenditures on sales on foreign markets in total expenditures on sales, the share of profits from export sales in the total profit from the organization's sales exporter; profitability of products sold for export, return on sales in the foreign market, competitiveness of products in the foreign market.

So for convenience, it was decided to systematize the economic indicators in the Table 1.1

Table 1.1 – Indicators of evaluation of export activity of the enterprise

Indicator	Calculation algorithm	Characteristics of the indicator
1. Export growth rate	$GR_a = \frac{V_{e_n}}{V_{e_{n-1}}}$ <p>Where <math>V_{e_n}</math> – the volume of products sold for export in the n-th period, th. UAH;</p> <p><math>V_{e_{n-1}}</math> – volume of products sold for export in the previous period, th. hryvnias.</p>	<p>Reflects the dynamics of the organization's export activities.</p> <p>Positive dynamics occurs when the value of the indicator is greater than 1.</p>

Continuation of the Table 1.1

2. Share of expenses for sales on foreign markets in total expenses for sales	$SE = \frac{ER_{f.m.}}{ER_{total}}$ <p>Where <math>ER_{f.m.}</math> – amount of expenses for sale in foreign markets, th. UAH;  <math>ER_{total}</math> – total amount of expenses for realisation, th. hryvnias.</p>	Reflects the share of the cost of implementation on foreign markets in the total expenses of the organization for implementation, characterizes the intensity of the marketing and sales activities of the organization on foreign markets.
3. Share of profits from the sale of export in the total profit from the sale of the exporter	$SP = \frac{P_e}{P_t}$ <p>Where <math>P_e</math> – profit from sales of exported products, th. UAH;  <math>P_t</math> – total profit from realisation, th. hryvnias.</p>	It shows the share of profits from the sale of exported products in the total amount of profit from sales of the organization of the exporter; the higher the index, the greater the significance of the export for the organization. Reflects the impact of export activities on the formation of the financial results of the organization.
4. Profitability of products sold for export	$P_e = \frac{Pr_e}{C_e}$ <p>Where <math>Pr_e</math> – profit from sales of exported products, th. UAH;  <math>C_e</math> – costs of exported products, th. hryvnias.</p>	Characterizes the efficiency of production for export for an exporting organization.
5. Profitability of sales in the foreign market	$Pr_{f.m.} = \frac{Pr_e}{R_e}$ <p>Where <math>Pr_e</math> – profit from sales of exported products, th. UAH;  <math>R_e</math> – revenues from sales of exported products, th. hryvnias.</p>	Shows the profitability of exports; the higher this indicator, the more profitable the export of products for the exporting organization.

Continuation of the Table 1.1

6. Competitiveness of products in the foreign market	$CG_p = \frac{P}{C_{p.r.}}$ <p>Where P – profit that producer receives from sales of goods on the world market;</p> <p><math>C_{p.r.}</math> - manufacturer's costs associated with the production and sale of goods on the world market.</p>	<p>Reflects the level of competitiveness of the goods. According to this formula, the greater the profit, the higher the competitiveness of the goods for the manufacturer.</p>
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On the basis of particular indicators, a generalized indicator of the efficiency of the usage of the organization's export potential is calculated using the formula 1.1.

$$EP_{gen} = \sum_{i=1}^6 a_i \frac{(Ind_i^{EP})_t}{(Ind_i^{EP})_0} \quad (1.1)$$

$EP_{gen}$  – generalized indicator of the effectiveness of the company's export potential;

$a_i$  – the coefficient of significance of the i-th individual indicator of the export potential of the company;

$Ind_i^{EP}$  – the value of the i-th individual indicator of the export potential of the company;

t - the year for which the index is calculated.

Thus, thanks to the systematization of indicators of export activity of the enterprise, it is possible to reveal its potential and define indicators, which will give us an understanding of what we need to do to increase the effectiveness of export activities.

## CONCLUSIONS TO SECTION 1

The economic changes taking place in Ukraine today make inevitable the integration of Ukrainian enterprises into international economic relations. Entering the world market, Ukrainian enterprises fall into a new competitive environment, which is characterized by the diverse interests of competing parties, dynamism and aggressiveness. Today's foreign economic activity is a promising management option that is able to harmoniously combine the interests of the state in achieving political and economic independence with the interests of enterprises in maximizing profits and in its redistribution.

Evaluating exports from the standpoint of its participation in enhancing financial results as priorities for the enterprise, it should be noted that exporting provides foreign exchange earnings, an increase in domestic and foreign investment. In addition, exports stimulate competitiveness by improving the technical level of production and product quality. The implementation of export activities also increases the effectiveness of the usage of natural resources and the advantages of the territorial division of labor, helps to reduce unemployment.

Therefore, at the present stage of development of Ukrainian enterprises, it is very important to develop a scientific and methodological basis for managing the export activities of an enterprise and to improve its organizational, economic and methodological support.

At the same time, the currently existing methodologies are focused primarily on the determination of indicators for the usage of export potential without taking into account the specific features of both different sales markets and individual types of activities. In addition, there is a necessity to use an integrated approach to assessing the performance of an enterprise from the standpoint of various interest groups.

## CHAPTER 2

### ASSESSMENT OF THE EXPORT ACTIVITY OF "PRPI PRAKTYKA"

#### 2.1 Characteristics of the enterprise "PRPI Praktyka"

Given the fact that the purpose of the study is export activity, it would be logical to consider it on the example of a particular enterprise. That is why, for that purpose a private enterprise "PRPI Praktyka" was chosen in order to analyze its activity in general, export of the enterprise, while covering the problems and difficulties that may arise during its activities.

The company was established in 2002, but in fact began to engage in business in December 2014. The main activity of the enterprise is manufacturing, repair and maintenance of equipment for industrial and special purpose. Due to the fact that the company has a lot of resources and capabilities, as well as a qualified team, it provides services to select the necessary equipment, considering the requirements of the customer.

Talking about the activities of the company more detailed it is necessary to distinguish the types of work that the enterprise is engaged in. One of these types is grinding works. There are various grinding machines in the park of machine tool equipment, which allow to process parts of various sizes and, accordingly, perform several types of grinding of parts. Another kind of work is the provision of metal machining services.

Since it is not easy to buy original parts for imported packaging equipment in Ukraine, the company decided to make worthy substitutes. Details in that case are much cheaper, and the quality remains the same as in foreign analogues.

In addition, the company offers its services in the integrated service of pump, compressor and other equipment. Highly-skilled engineers have many years of experience in designing and upgrading any pumps, compressors, and chemical equipment, what enables them to assist in solving technical problems. Another type of work of the company is the manufacture of industrial zigzag knives of various sizes and types of steel. The

company delivers its products to all regions of Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan.

Speaking about the domestic market, "Praktyka" basically cooperates with various enterprises of chemical, metallurgical, coke-chemical, oil refining, food and building industry of Ukraine, which have been permanent customers of the enterprise for many years. At the same time, the company has experience in working with companies from such countries as Moldova, Holland, Bulgaria and Belarus.

But if we talk about constant cooperation, it is worth to say that basically all export operations fall into the Russian Federation. Therefore, further in my paper, all the described foreign-economic activity of the company will be based on cooperation with the Russian Federation.

A distinctive feature of economic activity with Russian partners is the payments system. The enterprise in its export activity relies on annual contracts, which contain the terms of delivery, the name of the goods or services, their quantity, the price for them, the term of execution and other obligatory conditions. Under such an agreement, the customer pays 75% of the total price of the order, which in essence is an advanced fee. After the payment by the customer, the company receives the remaining money only at the time of completion of the order and in accordance with the terms specified in the agreement. As a rule, after completing the order, the client transfers the remaining amount of payment within 30 days.

As for its organizational structure, it should be noted that the pace of enterprise's development is quite high. Over the past few years, the number of employees has almost doubled. In spite of the fact that 42 employees are currently involved in the production workshop. In addition, despite the small size of the enterprise, the organizational structure already has a complex character, which manifests itself in the interconnection and control of departments.

The largest department is the production department, which carries out the main activity of the enterprise - the manufacture of equipment and parts (from such materials as plastics, metal, etc.). In addition, the production department is engaged in repair of metal products, and more. An engineer follows the plan of work execution and the entire work

process in the production workshop. He, in his turn, is subject to the chief engineer. Thus the main duties of an engineer are [18]:

- Solving work issues that arise in production;
- Control of the entire production process;
- Responsibility for the usage of working materials that an enterprise uses to produce its products;
- Reporting to the chief engineer;
- Timely informing the chief engineer of the necessity to purchase raw materials required to manufacture a certain volume.

It will be logical to consider the procurement department, because after the decision of the engineer and chief engineer about the necessity of purchasing a certain product, the department already has an idea of the required characteristics of the desired product, and accordingly searches for counteragents that potentially may be its suppliers. As a rule, the department chooses the most optimal delivery terms, for the most advantageous price and the appropriate quality. After the department chooses the most advantageous option for itself, the solution will be agreed upon by the main engineer, and the final decision will be taken directly by the director of the enterprise. In addition, after making a purchase, the department is responsible for the timely receipt of the goods in the form in which it was specified in the agreement.

In this way, the department reports the receipt of the goods by the chief engineer, with the provision of additional information about its location, as it arrives by different delivery services, which respectively are located in different parts of the city. So the main way of obtaining an order at the enterprise is self-service, because it significantly reduces the cost of delivery of goods.

An important fact is that the company carries out its purchases on the basis of legislation, in particular, the Law of Ukraine "On the Protection of the National Commodity Producer against Dumped Import" of 22.12.1998. Thus, only Ukrainian producers supply all materials and supplements that are necessary for production. This law applies to imports of goods that are subject of dumping, if such imports cause damage to the national producer of such goods. The product is considered as dumping, when in a

country of import its price is much lower than the prices for such goods. Sometimes the product sells even at a lower cost.

The next department that is required at each enterprise is the accounting department. At the enterprise "PRPI Praktyka", this department is represented by two persons - accountant and chief accountant. It should be noted that even last year accounting and tax accounting of financial and economic activities were carried out by one person - the chief accountant. But with the expansion of the company, there was a need for another qualified specialist. As for the main functions of the department, they can be attributed to [37]:

1) Controlling:

- for the preservation of property;
- target spend of funds and material values;
- for timely inventory;
- the correct conduct of payroll calculations.

2) Timely and qualitative compilation of primary documents;

3) Accounting for fixed assets;

4) Creation of freight transport company invoices and travel letters;

5) Ensuring strict compliance with cash and settlement discipline, spending money on purpose;

6) Ensuring timely and correct reflection of business transactions in accounting and reporting;

7) Provision of statistical reporting.

This department is closely connected with the procurement department, because it works with accounts for payment sent by suppliers, which the accountant is obliged to enter in the accounting database. In turn, the procurement department quite often asks for invoices and acts of work required by the accountant, from suppliers. Thus, we can observe close interconnection in the work of the above-mentioned departments.

The next department at the company is the legal department. It consists of two people.

The direct duties of the legal department are:

- Development of legal documents;



- Providing legal assistance to the departments of the enterprise;
- Conclusion of economic agreements, preparation of conclusions about their legal validity, development of conditions for collective agreements;
- Preparation of proposals for changing the existing ones or the abolition of those orders that have lapsed and other normative acts that were issued at the enterprise.

Advertising of services on the market and promotion of its products is another very important moment for any enterprise. Speaking about " PRPI Praktyka ", the company's management also paid a lot of attention to this direction. The company has its own website and its own cabinet on the site "Prom.ua". It should be noted that in addition to advertising their services, these services will allow you to make an online order, which greatly simplifies the process of ordering and saves time both customers and employees of the company.

As for the Company's website, it is located at the following address: <https://praktikasumy.com.ua/>. Here you can find all the necessary information about goods and services, payment methods and terms of work carrying out. In addition, the customer has the opportunity to contact the company representatives for more details through the contact numbers that are also listed on the website. Speaking about the page on the site "Prom.ua", it is a personal cabinet of the enterprise, through which the order of his goods and services of the enterprise is carried out, which proceeds as follows. In essence, the site is an online store that requires constant tracking of its activity. To conduct such activities, the company hired an employee who tracks the order, timely updates on the site, etc.

As to the position of Chief Engineer, he carries out control functions related to production, that are :

- Defines the prospects for the development of the enterprise and the ways of implementing integrated programs in all areas of improvement, restructuring, reconstruction and technical re-equipment of production, its specialization and cooperation;

- Provides constant improvement of the level of technical preparation of production, its effectiveness, reduction of material, financial and labor costs for production of products, services, their high quality;
- Takes measures to improve the organization of production, labor and management on a scientific basis, the introduction of computer technology, modernization and automation of engineering and management work;
- Ensures constant improvement of training and qualification of personnel in accordance with the requirements of scientific and technological progress.
- Speaking about the post of director, he supervises all departments of the enterprise. His main functions include:
  - Control of all types of activities of the enterprise;
  - Determination of the directions of enterprise development in the formation of price, credit and banking, tax and insurance policy, social and foreign economic activity;
  - Taking measures to provide the company with skilled personnel, the best usage of safe and favorable working conditions, observance of the requirements of the legislation on the protection of the environment;
  - Solving global issues related to the economic activity of the enterprise;
  - Conducting negotiations with potential business partners and concluding contracts;
  - Representation of the interests of the enterprise in the bodies of state power and in relations with partners;
  - Approval of acquisition of fixed assets of the enterprise.
- Thus, after analyzing the organizational structure, and certain peculiarities of economic activity, we can make certain conclusions about the organization of the enterprise, its principles of work. For a complete picture of the company's work, I propose an analysis of the economic performance of the enterprise and its export activities, which will help us to make a conclusion about the effectiveness of its activities.

## 2.2 Analysis of the economic indicators of the enterprise

At this stage of the study it is advisable to analyze the main economic indicators of the enterprise.

Taking into account the fact that in fact the enterprise of the “PRPI Praktyka” conducts its economic activity from 2014, in my paper I will rely on the data of 2014 – 2018. In addition, according to the Civil Code of Ukraine, the general limitation period is 3 years, that is, the enterprise undertakes to keep the documentation, including financial statements, only for the last 3 years.

For a comprehensive coverage of the main economic indicators of the enterprise, we will consider the following indicators: profitability of the main activity, profit, return on assets, profitability of fixed capital, return on equity capital, the payback period of capital.

- 1) Profitability of the main activity - the ratio of profit from the sale of products to the costs of its production and sale [25]:

$$P_{m.a.} = \frac{P_{r.a.p.}}{C_{p.r.}} \quad (2.1)$$

$P_{m.a.}$  - profitability of main activities;

$P_{r.a.p.}$  - profit from sales of all products;

$C_{p.s.}$  - costs of production and sales of products.

This indicator characterizes the ability of the organization to manage the finances (to cover the cost of profitability), as well as their accumulation, reflects the balance achieved in the company's economic interests of domestic and foreign business participants.

Table 2.1 – Profitability of the main activity of the enterprise “PRPI Praktyka”,  
%

	2014	2015	2016	2017	2018 (6 mo.)
$P_{r.a.p.}$	17,80	1213,03	2892,10	5377,80	5351,71
$C_{p.s.}$	1,20	1204,80	2787,60	5121,60	3644,50
$P_{m.a.},\%$	1483,30	100,70	103,70	105,00	146,80

After analyzing these figures, we can see that the highest level of profitability of the main activity reached in 2014 and amounted to 1483,3%, while the lowest level was observed in 2015 – 100,7%. This is due to the fact that the growth of expenses exceeded the growth of incomes.

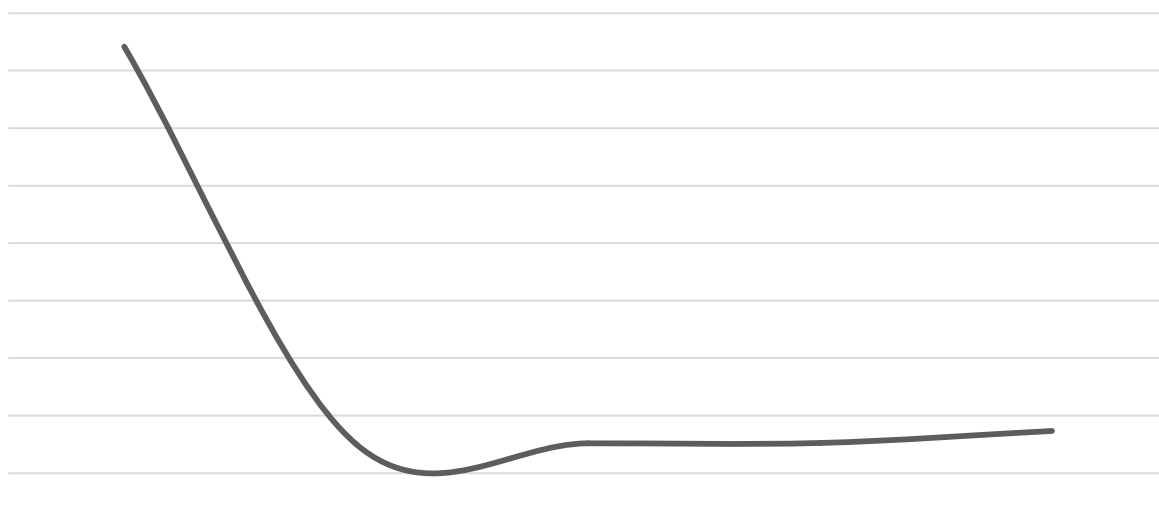


Figure. 2.1 – Dynamics of profitability of the main activity of the enterprise “PRPI Praktyka”, %

The largest increase of the indicator is observed in 2018 and amounted to 39.8% in relation to the previous year, even despite the fact that the figures for 2018 taken during the first half-year. The slightest increase was observed in 2015. and amounted to - 93.2% compared to the previous year.

2) Profit - is defined as the difference between the proceeds from the sale and the costs for this implementation [21]:

$$P = R_r - C_r \quad (2.2)$$

P - profit;

$R_r$  - income;

$C_r$  – costs.

Profit is the main source of financial resources of an enterprise associated with the receipt of gross income. Profit is the main indicator of economic and commercial activity of the enterprise. The profit is always determined in the value form. In conditions of market relations, the enterprise should strive, if not for the maximum profit, and then at least to the volume of profit, which would allow it not only to firmly hold its positions at the market of goods and services, but also to ensure the dynamic development of production in a competitive environment.

Table 2.2 – Profit of the enterprise “PRPI Praktyka”, thousand hryvnias

	2014	2015	2016	2017	2018 ( 6 mo.)
$R_r$	17,84	1304,04	2910,91	5430,99	4115,67
$C_r$	1,20	1204,80	2787,60	5121,60	3644,50
P	16,64	99,24	123,31	309,39	471,17

After analyzing this indicator, it was found that the highest profit level is reached in 2018 and amounted to 471,174 thousand hryvnias, while the lowest level was observed in 2014 - 16,638 thousand hryvnias. This is due to the fact that in 2014 the company has just begun its activities. There is a tendency of rapid growth of this indicator.

The largest increase in the indicator was observed in 2015 and amounted to 406.6% in relation to the previous year. The slightest increase was observed in 2016. and amounted to 24.3% in relation to the previous year.

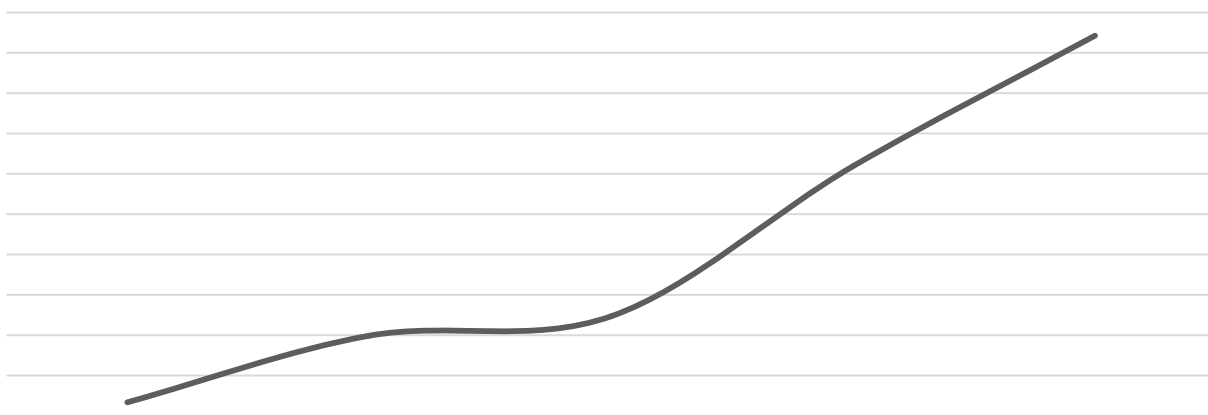


Figure. 2.2 – Dynamics of profit of the enterprise “PRPI Praktyka”,%.

3) Profitability of assets - the ratio of balance profit to the average balance sheet [21]:

$$P_a = \frac{P_b}{B_{avr}} \quad , \quad (2.3)$$

where  $P_a$  – profitability of assets;

$P_b$  - balance sheet profit;

$B_{avr}$  - the result of the average balance.

The profitability of assets characterizes how many units of profit are derived from the unit value of assets, regardless of the source of funds. The profitability of assets shows how much profit before taxation (balance profit) is received by an enterprise with one hryvnia invested in the assets of the enterprise. If the return on assets is 25%, this means that each hryvnia invested in the assets of an enterprise brings 25 cents of profit before tax. The higher the indicator of the profitability of assets, the more efficient the enterprise uses its property.

Table 2.3 – Profitability of assets of the enterprise “PRPI Praktyka”, %

	2014	2015	2016	2017	2018 ( 6 mo.)
$P_b$	16,60	84,10	104,50	262,20	399,30
$B_{avr}$	60,95	316,70	582,00	1599,00	2735,60
$P_a, \%$	27,20	26,60	18,00	16,40	14,60

After analyzing the profitability of the assets of this enterprise, it was found that the highest level reached in 2014 and amounted to 27,2%, while the lowest level was observed in 2018. It amounted to 14,6%.

The reason for this is that the growth rate of profit began to decline from 2016, and therefore the profitability accordingly began to decrease.

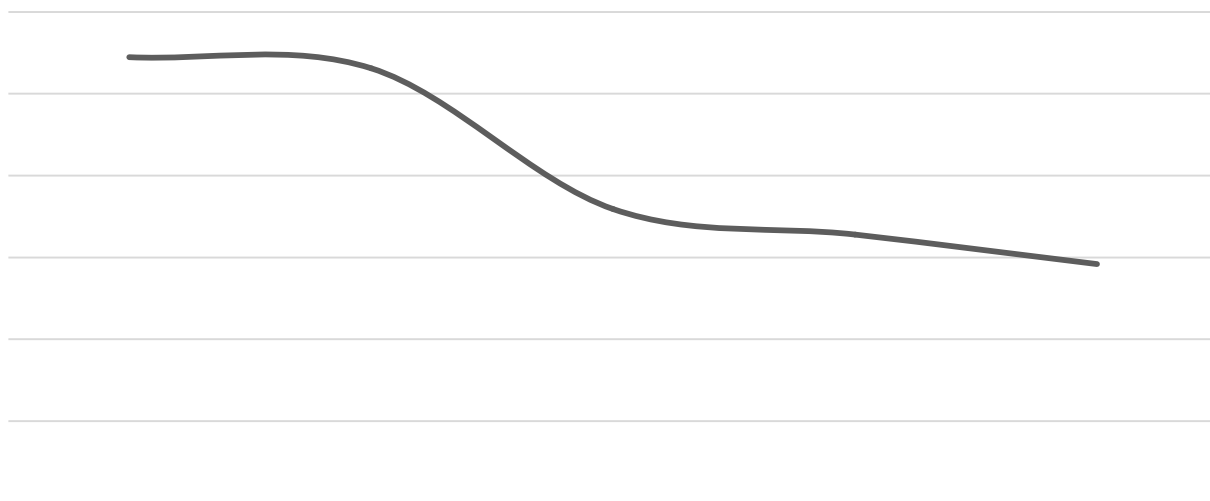


Figure 2.3 – Dynamics of profitability of assets of the enterprise “PRPI Praktyka”,%.

The largest increase in the indicator was observed in 2015 and amounted to 78.4% in relation to the previous year. The slightest increase was observed in 2016 and was -49% in relation to the previous year.

In 2017, the decline in profitability has slowed down, and since 2018, growth has resumed. The reason for this dynamics is, on the one hand, the problem of economic relations between Russia and Ukraine and the fall of the hryvnia from the other, since the main trading partner of the company was the Russian Federation, and settlements between Russia and Ukraine are conducted in US dollars. In addition, the growth rate of assets outpaced the growth rate of balance profits. This, in turn, is due to the fact that the company began to update fixed assets.

4) Profitability of fixed capital - the ratio of balance profits to the average cost of fixed capital:

$$P_{f.c.} = \frac{P_b}{FC_{avr}} \quad (2.4)$$

$P_{f.c.}$  – profitability of fixed capital;

$P_b$  - balance sheet profit;

$FC_{avr}$  - average cost of fixed capital.

This indicator of profitability characterizes the efficiency of using fixed assets of the enterprise. Capital assets are non-current assets of the enterprise. Profitability of fixed capital characterizes how many profits before taxation (balance profit) receives an enterprise with one hryvnia invested in non-current assets [22].

Table 2.4 – Profitability of fixed capital of the enterprise “PRPI Praktyka”, %

	2014	2015	2016	2017	2018 ( 6 mo.)
$P_b$	16,60	84,10	104,50	262,20	399,30
$FC_{avr}$	20,40	41,80	84,45	708,50	1266,20
$P_{f.c.}, \%$	81,40	201,20	123,70	37,00	31,50

After analyzing this indicator, it was found that the highest level of profitability of fixed capital reached in 2015 and amounted to 201,2%, while the lowest level was observed in 2018 and amounted to 31,5%. First of all, the reason for it is that the profit exceeded cost of fixed capital. This is due to the fact that the company started its activities in 2014, and since 2017 the fixed capital has started to exceed profit, the reason for this is investment in fixed assets.

The largest increase in the indicator was observed in 2015 and amounted to 147.3% in relation to the previous year. The slightest increase was observed in 2016 and amounted to -38.5% in relation to the previous year.



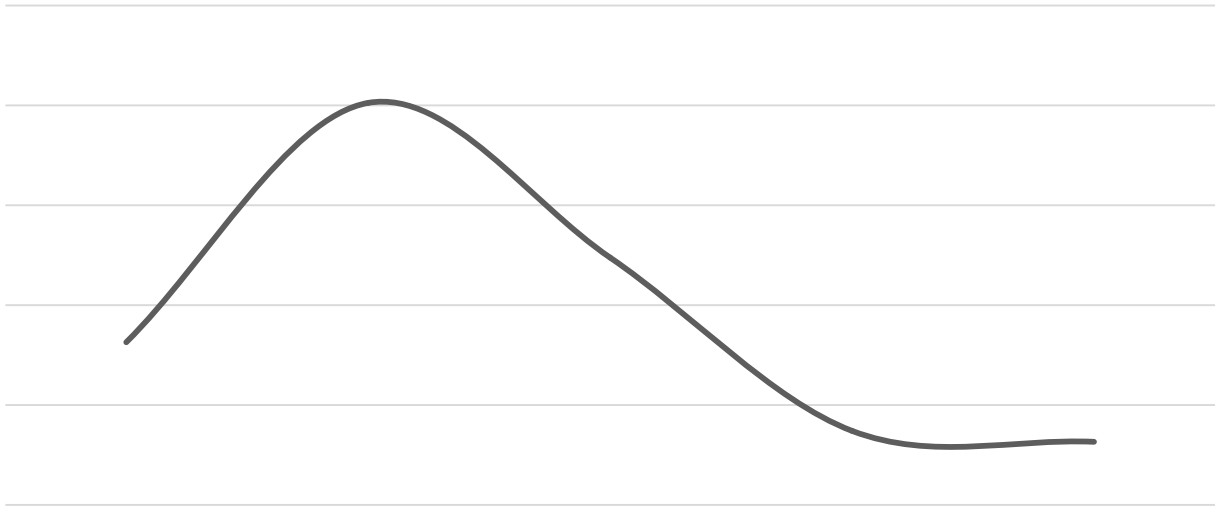


Figure. 2.4 – Dynamics of the profitability of fixed capital of the enterprise “PRPI Praktyka”,%.

5) Return on equity - the ratio of net profit to the average cost of equity:

$$P_{o.c.} = \frac{P_n}{OC_{avr}} \quad (2.5)$$

Where  $P_{o.c.}$  - profitability of own capital;

$P_n$  - net profit;

$OC_{avr}$  - average cost of own capital.

This indicator characterizes the efficiency of using own funds, which shows the amount of net profit per one hryvnia of own funds. The owners of the companies, first of all, are not interested in the absolute value of net profit, but the amount of profit that comes in one hryvnia own funds [65].

Table 2.5 – Return on equity of the enterprise “PRPI Praktyka”,%.

	2014	2015	2016	2017	2018 ( 6 mo.)
$P_n$	14,10	84,10	104,50	262,20	399,30
$OC_{avr}$	6,05	75,30	148,35	331,70	662,45
$P_{o.c.}, \%$	233,10	111,70	70,40	79,00	60,30

After analyzing the return on equity of the PNPP "Practice", it was found that the highest level reached in 2014 and amounted to 233,1%. As for the lowest level, then the fall can be observed in 2016. The index is 70,4%.

Taking into account the unfavorable external economic conditions associated with political and economic relations between Ukraine and the Russian Federation, the growth rate of net profit was slowing down every year. The exception is 2017. On the other hand, the growth rate of own capital exceeded the growth rate of net profit. This was due to an increase in the level of undistributed profits, which caused the investment in the development of the enterprise. The exception is 2017, which was a 26% drop.

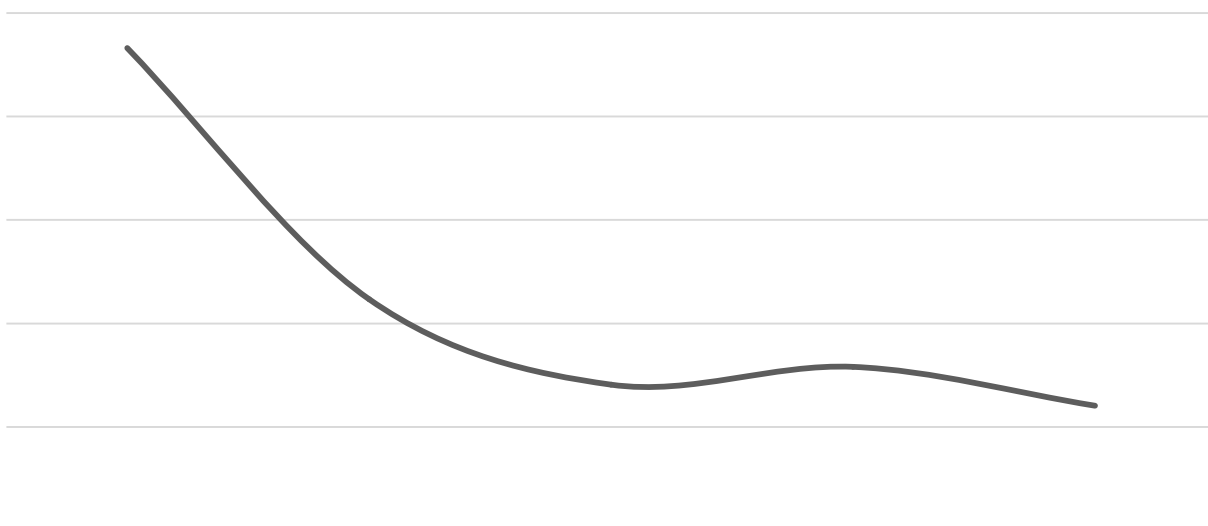


Figure 2.5 – Dynamics of the return on equity of the enterprise “PRPI Praktyka”,%.

The largest increase in the indicator was observed in 2017 and amounted to 240.2% in relation to the previous year. The slightest increase was observed in 2015. and amounted to -70% in relation to the previous year. This was due to the fact that the profit of the company increased by 496%, which prompted the management to increase the share of retained earnings directed on the development of the enterprise.

6) The period of return on capital is the ratio of capital to net profit:

$$P = \frac{C}{P_n} \quad (2.6)$$

P - payback period of capital;

C - capital;

$P_n$  – net profit.

Period of return on capital is the most important coefficient for owners. The value of the indicator reflects the period during which their capital will be redeemed. This means that the usage of own capital will generate a net profit equal to its current amount. This indicator characterizes the profit of every hryvnia invested by the owner of the capital [75].

Table 2.6 - Payback period of the enterprise “PRPI Praktyka”, years

	2014	2015	2016	2017	2018 ( 6 mo.)
C	26,45	117,10	232,80	1040,20	1928,65
$P_n$	14,10	84,10	104,50	262,20	399,30
P	1,88	1,39	2,23	3,97	4,83

After analyzing the return on capital of this enterprise, it was found that the highest level reached in 2018 and equals to 4,83 years , while the lowest level was observed in 2015, it equals to 1,39 years.

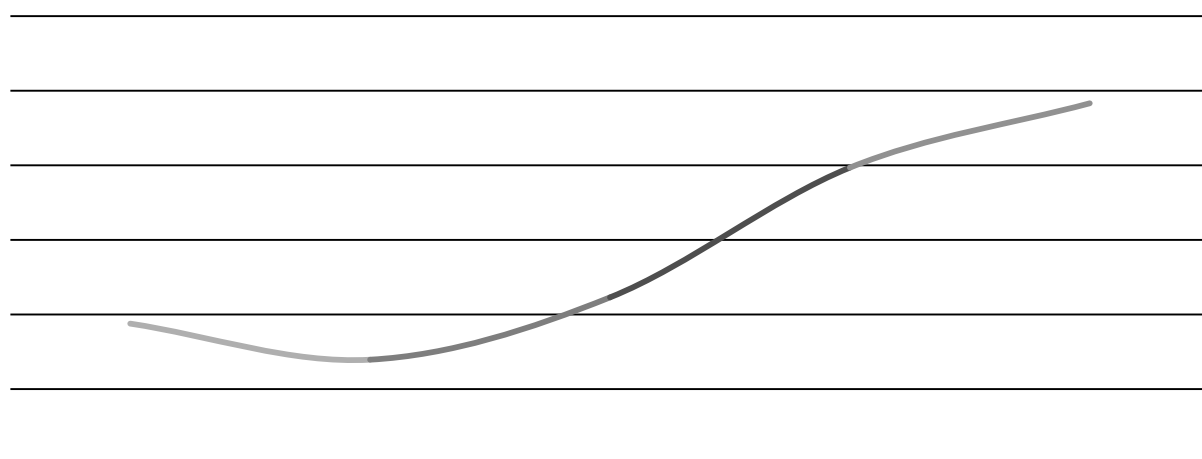


Figure 2.6 – Dynamics of the payback period of the enterprise “PRPI Praktyka”, %

The largest increase of the indicator was observed in 2016 and amounted to 105.5% in relation to the previous year. The slightest increase was observed in 2017 and amounted to -34.5% in relation to the previous year.

Thus, the efficiency of the company was high in the period from 2014 to 2016. Further, the period of capital recoupment increased significantly. This is due, on the one hand, to the increase in the cost of capital and the decline in the growth rate of net profit, due to the deterioration of export relations with the Russian Federation, because it occupies a significant share in the consumption of products of the enterprise.

### 2.3. Analysis of export activity of the enterprise “PRPI Praktyka”

At this stage of the research, it is expedient to consider the export activity of the enterprise. For beginning we will investigate the structure of export activity of the enterprise "PNPP Practice".

The basis of the export nomenclature of the enterprise is the following goods:

- Gear wheels;
- Rubber seals;
- Packing knives;
- Crushing blade;
- Others (parts for the food industry, heat exchangers, pulleys, etc.)

Consider the share of each product in total exports. For this purpose, 2017 was chosen, since it is the last year for which we have data.

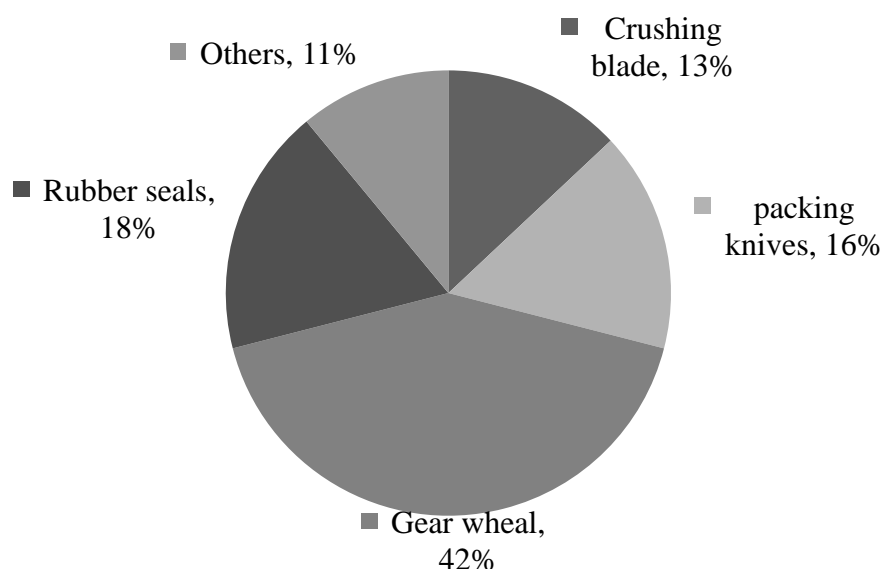


Figure 2.7 – Share of exports “ PRPI Praktyka” in 2017, thousand hryvnias.

Given the fact that the enterprise is oriented in its activities not on mass production, but on the execution of orders according to the existing contracts – we cannot distinguish the products on which export orientation should be oriented. Thanks to the analyzed data, we can only make a conclusion on the demanded products in foreign markets.

As to the geographic structure of the enterprise, the main partner is the Russian Federation. There are also separate contracts for the supply of products to other countries, but they have an insignificant share in the total volume of exports.

As for the efficiency of exporting products, consider the following indicators:

- Cost of export products;
- Income from export of products;
- Profits gained from exports [51].

Table 2.7 – Enterprise export structure in 2017, thousand hryvnias.

Name of the product	Cost price	Income	Profit
Crushing blade	47,33	60,47	13,14
Packing knives	58,25	74,43	16,18
Gear wheel	152,91	195,37	42,46
Rubber seals	65,53	83,73	18,20
Other	40,05	51,17	11,12

Thus, based on the table, we can see that gear wheel has the highest cost price, which is 152.91 thousand hryvnias. At the same time, it brings the largest income of 195.37 thousand hryvnias and the largest profit – 42, 46 thousand hryvnias. Speaking of a product with lower cost, we can see that it is crushing blade. Its`s cost was 47.33. The product brings less incomes – 60.47 thousand hryvnias and profit 13.14 thousand hryvnias.

In addition, we also considered other goods which, in comparison with the above, do not occupy a substantial volume in export and accordingly do not bring a large volume of income. The cost of such goods amounted to 40.05 thousand hryvnias, income –51.17 thousand hryvnias, and profit 11.12 thousand hryvnias.

At this stage of research, we will analyze the effectiveness of export activity based on the following indicators [41]: the rate of export growth, the share of expenses on sales in foreign markets in total expenses for sales, the share of profit from export sales in the total amount of profit from the sale of the organization of the exporter; the profitability of products sold for export; profitability of sales on the foreign market; competitiveness of production in the foreign market.

1. The rate of export growth - the ratio of the volume of products sold for export in the  $n$ th period to the volume of products sold for export in the previous period:

$$GR_a = \frac{V_{en}}{V_{en-1}} \quad (2.7)$$

$GR_a$  – export growth rate;

$V_{en}$  – the volume of products sold for export in the  $n$ -th period, th. hryvnias;

$V_{en-1}$  – the volume of products sold for export in the previous period, th. hryvnias;

The indicator reflects the dynamics of the export activity of the organization.

Positive dynamics takes place when the value of the indicator is greater than 1.

Table 2.8 – Export growth rate of the enterprise “PRPI Praktyka”,%.

	2014	2015	2016	2017	2018 ( 6 mo.)
$V_{e_n}$	5,23	54,34	203,70	465,18	418,75
$V_{e_{n-1}}$	-	5,23	54,34	203,70	465,18
$GR_a, \%$	-	1038,20	374,90	228,40	90,00

The highest rate of growth rate reached in 2015 and amounted to 1038,2 %. The lowest value is in 2018 and it is 90%.

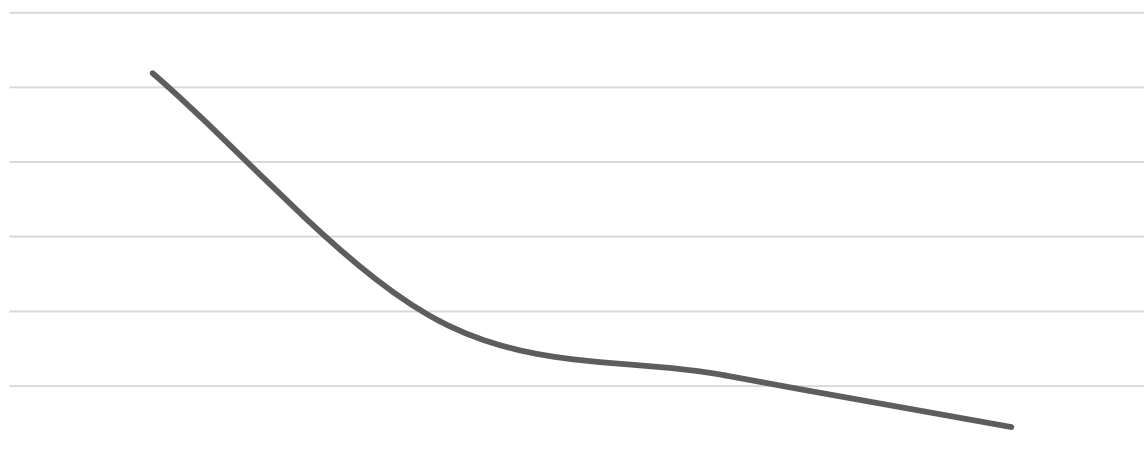


Figure 2.8 – Dynamics of the export growth rate of the enterprise “PRPI Praktyka”,%.

As we can see from Fig. 2.8, there is a general tendency to decrease the indicator in the period from 2014 to 2018. The largest decline in the rate of export growth was observed in 2016, it was - 64% in relation to the previous year. The smallest decline was recorded in 2017 and was - 39% relative to the 2016 indicator.

Since in 2014 the company only started its actual activity, the volume of exports was rather low. Since 2015, the company has begun active export activities, which is why the growth rate in 2015 was the largest in the period under investigation. Subsequently, exports grew, but at the same time, the growth rate declined every year.

2. Share of expenses on sales in foreign markets in total expenses for realization - the ratio of the amount of expenses on sales in foreign markets to the total amount of expenses for sale [50]:

$$SE = \frac{ER_{f.m.}}{ER_{total}} \quad (2.8)$$

SE - the share of expenses on sales on foreign markets in total expenses on realization;

$ER_{f.m.}$  – amount of expenses for realization in foreign markets, th. hryvnias;

$ER_{total}$  – total amount of expenses for realization, th. hryvnias.

It reflects the share of expenses on sales in foreign markets in the total expenses of the organization for implementation, characterizes the intensity of marketing and sales activities of the organization in foreign markets.

Table 2.9 – Share of expenses on sales in foreign markets in total expenses for realization of the enterprise “PRPI Praktyka”, %.

	2014	2015	2016	2017	2018 ( 6 mo.)
$ER_{f.m.}$	0,40	10,20	45,60	74,90	114,40
$ER_{total}$	1,20	241,80	648,00	865,70	1100,10
SE,%	33,30	4,20	7,00	8,70	10,40

The highest level of fiscal expenditures for sales on foreign markets in total expenditures for implementation reached in 2014 and amounted to 33,3%. The smallest value was in 2015 and amounted to 4,2%.



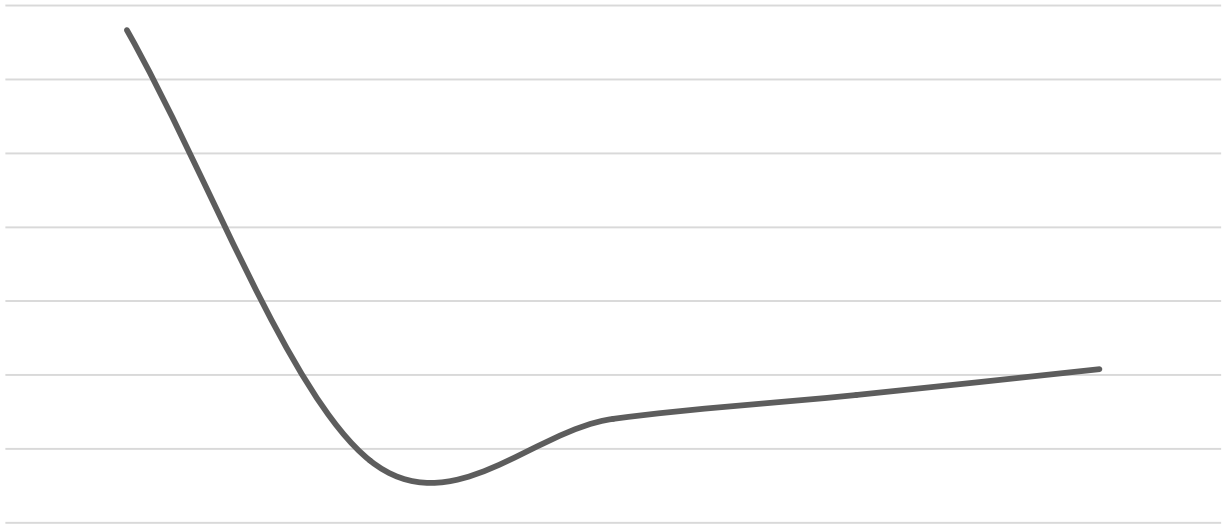


Figure. 2.9 – Dynamics of the share of expenses on sales in foreign markets in total expenses for realization of the enterprise “PRPI Praktyka”,%.

The largest increase of the indicator occurred in 2016, it was 66.8% in relation to the previous year. The decline in the indicator level was recorded in 2015 and was -87.4% compared to the 2014 figure. This is due to the fact that the company began to actively sell its products in the domestic market. Subsequently, the share of export expenditures began to increase, but never reached the level of 2014.

3. Share of profit from export sales in the total amount of profit from the sale of the exporter's organization - the ratio of profit from sales of exported products to the total amount of profit from sales [69]:

$$SP = P_e / P_t \quad (2.9)$$

SP - the share of profits from realization of exports in the total profit from realisation of the exporter;

$P_e$  – profit from realization of exported products, th.hryvnias;

$P_t$  – total profit from realization, th. hryvnias.

It shows the share of profit from the sale of exported products in the total amount of profit from the sale of products of the organization of the exporter; the

higher the indicator, the more export value for the organization. Reflects the influence of export activity on the formation of financial results of the organization.

Table 2.10 – The share of profit from export sales in the total amount of profits from the sale of the exporter of the enterprise “PRPI Praktyka”,%.

	2014	2015	2016	2017	2018 ( 6 mo.)
$P_e$	4,90	3,50	7,40	22,70	41,50
$P_t$	16,60	84,10	104,50	262,20	399,30
SP,%	29,50	4,20	7,10	8,70	10,40

The highest level of share of profit from export sales in the total amount of profits from sales of the exporter reached in 2014 and amounted to 29,5%. The smallest value indicator was as of 2015 and amounted to 4,2%.

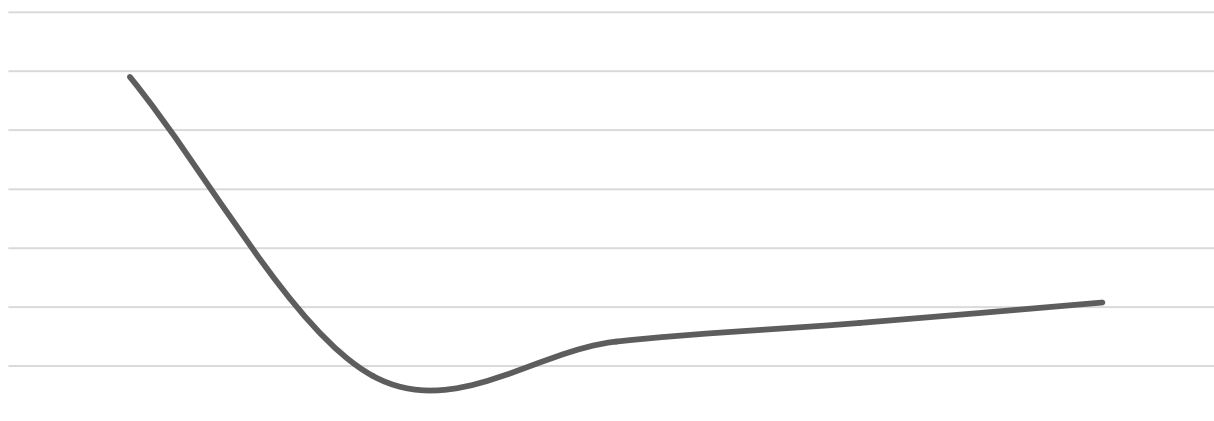


Figure 2.10 – Dynamics of the share of profit from export sales in the total amount of profits from the sale of the exporter of the enterprise “PRPI Praktyka”,%.

The largest increase in the indicator occurred in 2016, it was 70.2% in relation to the previous year. The decline in the indicator level was recorded in 2015 and was -86% compared to the 2014 figure. This dynamics is due to the reasons mentioned in the analysis of the indicator of the share of profit from the sale of exports in the total amount of profits from the sale of the exporter.

4. Profitability of products sold for export - the ratio of profit from sales of exported products to the cost price of exported products [54]:

$$P_e = \frac{Pr_e}{C_e} \quad (2.10)$$

$P_e$  - profitability of products exported;

$Pr_e$  – profit from sales of exported products, th. hryvnias;

$C_e$  – the cost of exported products, th. hryvnias.

It characterizes the effectiveness of production of products for export to the exporting enterprise.

Table 2.11 – The profitability of products sold for export of the enterprise “PRPI Praktyka”, %.

	2014	2015	2016	2017	2018 ( 6 mo.)
$Pr_e$	4,90	3,50	8,70	22,70	41,50
$C_e$	6,40	32,90	135,10	364,10	264,60
$P_e, \%$	76,60	10,60	6,40	6,20	15,70

The highest level of profitability was reached in 2014 and amounted to 76,6%. The lowest value of the indicator was in 2017, it is equal to 6,2%.

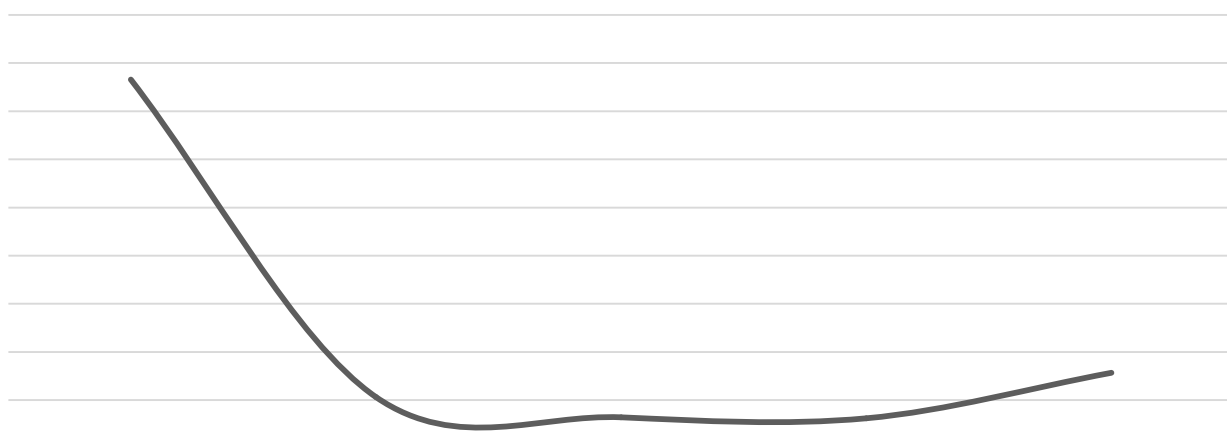


Figure 2.11 – Dynamics of the profitability of products sold for export of the enterprise “PRPI Praktyka”, thousand hryvnias.

The increase in the indicator is observed only in 2018, it is 151.5% in relation to the previous year. The largest decrease in the level of the indicator was recorded in 2015 and was -86.1% in relation to the 2014 indicator.

This situation is due to the fact that the growth rate of the cost exceeded the growth rate of profit. The reason for this is the increase in prices for the resources involved in the production of the company's products, and, on the other hand, the margin reduction in the cost of products in the foreign market in order to obtain competitive advantages.

5. Profitability of sales on the foreign market - the ratio of profit from sales of exported products to sales proceeds from exported products [54]:

$$P_{r.f.m} = \frac{Pr_e}{R_e} \quad (2.11)$$

$P_{r.f.m}$  - profitability of realisation in the foreign market;

$Pr_e$  – profit from realisation of exported products, th. hryvnias;

$R_e$  – revenues from realisation of exported products, th. hryvnias.

It shows the profitability of exporting products; the higher the indicator, the more profitable export of the product to the exporting enterprise.

Table 2.12 – Profitability of sales on the foreign market of the enterprise “PRPI Praktyka”, %.

	2014	2015	2016	2017	2018 ( 6 mo.)
$Pr_e$	4,90	3,50	8,70	22,70	41,50
$R_e$	5,23	54,34	203,70	465,18	418,75
$P_{r.f.m}, \%$	93,60	6,40	4,30	4,90	9,90

The highest level of sales profitability on the foreign market reached in 2014 and amounted to 93,6%. The lowest value of the indicator was as of 2016 and amounted to 4,3%.

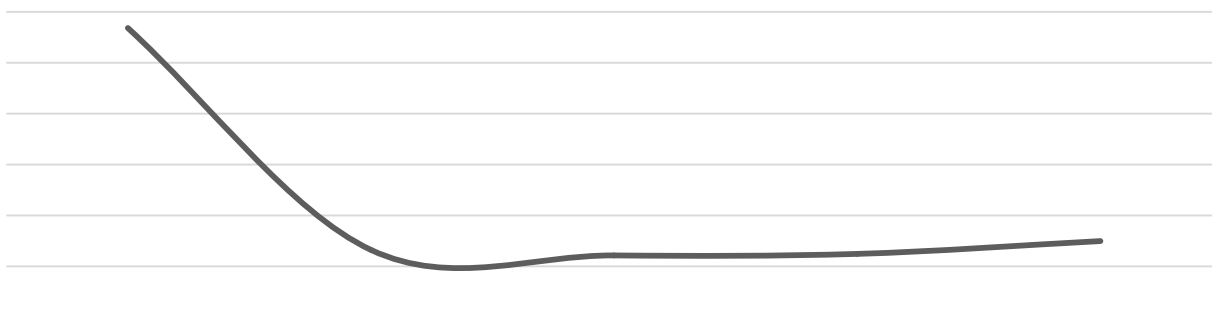


Figure 2.12 – Dynamics of the profitability of sales on the foreign market of the enterprise “PRPI Praktyka”, %.

The largest increase in the indicator was observed in 2018, it was 203.1% in relation to the previous year. The largest decrease in the level of the indicator was recorded in 2015 and was -93.1% compared to the 2014 figure.

After analyzing this indicator, we can conclude that the highest level of profitability has reached 2016. Subsequently, the level of this indicator tended to decline and began to recover only from 2018.

6. Competitiveness of production in the foreign market - the ratio of profits received by the producer in the sale of goods on the world market to producer costs associated with the production and sale of goods on the world market [43]:

$$CG_p = \frac{P}{C_{p.r.}} \quad (2.12)$$

$CG_p$  - competitiveness of goods for producer;

$P$  – profit that producer receives from realization goods on the world market;

$C_{p.r.}$  – manufacturer’s costs associated with the production and realization of goods on the world market.

The indicator reflects the level of competitiveness of the goods. According to this formula, the more profit, the higher the competitiveness of the goods for the manufacturer [59].

Table 2.13 – Competitiveness of goods of the enterprise “PRPI Praktyka”, %.

	2014	2015	2016	2017	2018 ( 6 mo.)
<b>P</b>	4,90	3,50	8,70	22,70	41,50
$C_{p.r.}$	6,80	43,10	180,70	439,00	379,00
$CG_p, \%$	72,10	8,10	4,80	5,20	10,90

The highest level of competitiveness of products in the foreign market reached in 2014 and amounted to 72,1%. The smallest value was in 2016 and amounted to 4,8%.

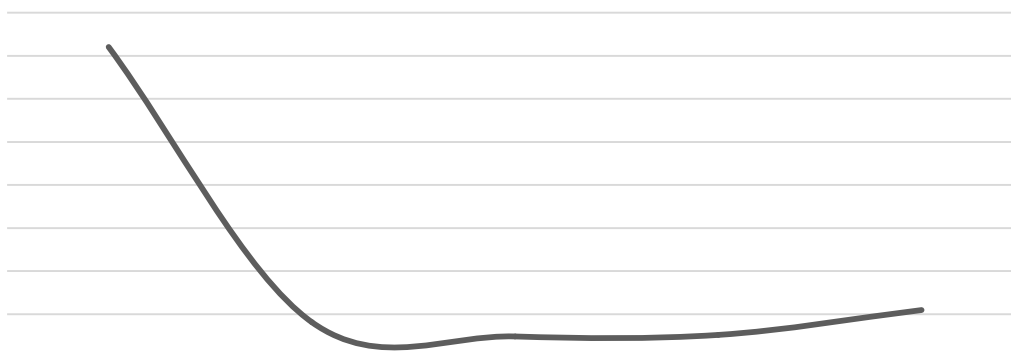


Figure 2.13 – Dynamics of the competitiveness of goods of the enterprise “PRPI Praktyka”, %.

Examining this figure we conclude that the most competitive level reached in 2014. Further there is a significant decline, but in 2018 there is a gradual recovery level indicator.

Thus, these trends are conditioned by the general downturn in the country's economy, which in turn led to higher prices, which led to an increase in the cost of goods. An important factor is the fall in the hryvnia rate, which also affected the export activity of the enterprise.

On the basis of particular indicators, the calculation of the overall indicator of the effectiveness of using the export potential of the enterprise according to formula 1.1. The initial value of each metric in 2014 is equal to 100%. The weight of each indicator is equal to 0.17, since each indicator has the same effect on the settlement index. The resulting values of the index are shown in Table 2.13.

$$EP_{gen} = \sum_{i=1}^6 a_i \frac{(Ind_i^{EP})_t}{(Ind_i^{EP})_0} \quad (1.1)$$

$EP_{gen}$  – generalized indicator of the effectiveness of the company's export potential;

$a_i$  – the coefficient of significance of the i-th individual indicator of the export potential of the company;

$Ind_i^{EP}$  – the value of the i-th individual indicator of the export potential of the company;

t - the year for which the index is calculated.

The received data is entered in the table 2.13.

Table 2.14 – The effectiveness of using the export potential of the enterprise “PRPI Praktyka”

Indicator	Weight	2014	2015	2016	2017	2018 ( 6 mo.)
$GR_a$	0,17	100,000	1038,21	374,86	228,36	90,02
$SE$	0,17	100,000	12,66	21,11	25,96	31,20
$SP$	0,17	100,000	14,10	23,99	29,33	35,21
$P_e$	0,17	100,000	13,89	8,41	8,14	20,49
$P_{r.f.m}$	0,17	100,000	6,88	4,56	5,21	10,59
$CG_p$	0,17	100,000	11,27	6,68	7,18	15,20

Continuation of the table 2.14

$EP_{gen}$	1,00	1,02	1,86	0,75	0,52	0,34
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As we see from Table 2.14, the effectiveness of the usage of export potential increased in the period 2014-2015 and reached the maximum value of 1.86. Starting from 2016 there is a general tendency to decrease the indicator, which reached its minimum in 2018 - 0.34. This is due to the crisis of relations between Ukraine and the Russian Federation, which coincides with the general trend of the indicator.

According to the table 2.14 we plot the graph.

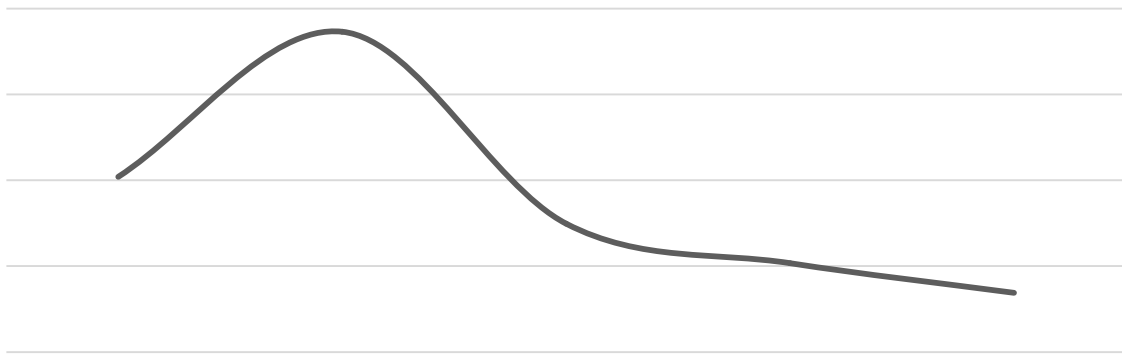


Figure 2.14 – The effectiveness of the usage of the export potential of the enterprise “PRPI Praktyka”,%.

Thus, the graph clearly shows that the export potential is falling. Further, we will conduct a SWOT-analysis and will find out what influences the export activity and makes it ineffective.



## CONCLUSIONS TO SECTION 2

The company was established in 2002, but in fact began to engage in business in December 2014. The main activity of the enterprise is manufacturing, repair and maintenance of equipment for industrial and special purpose.

In general, “PRPI Praktyka” cooperates with various enterprises of the chemical, metallurgical, coke-chemical, oil refining, food and building industries of Ukraine, which have been regular customers for many years. Despite the small volumes of production, the organizational structure of the enterprise has several levels. Thus, the following work departments can be distinguished: production department, procurement department, department of accounting, legal department.

It should be noted that in addition to the Ukrainian market, the company also conducts export activities, where the most significant share of exports is held by the Russian Federation, which is a regular customer of the goods and services of this enterprise. And in this paper we are able to make some conclusions about the cooperation of these countries.

After analyzing a number of economic indicators, we can conclude that the “PRPI Praktyka” can be called relatively young, and graphically we are clearly demonstrating significant leaps of performance, especially in the early years of the existence of the enterprise, which is expected. In addition, it is important to understand that Russia plays a significant share in the consumption of goods and services, and due to political and economic disadvantages, including the deterioration of relations between the countries, we are witnessing a relative decline in export activity, which is evidently demonstrated by the schedule. the efficiency of using the export potential of the enterprise. The situation is complicated by the fact that, given the fact that the enterprise is oriented not in mass production in its activity, but in order to execute orders in accordance with existing contracts, it is impossible to allocate the products for which export orientation should be oriented.

If we talk about the general tendencies that led to a decline in the export

activity of the enterprise, among them we should highlight the overall decline of the country's economy, which in turn led to higher prices, which led to an increase in the cost of goods. An important factor is the fall in the hryvnia rate, which also affected the export activity of the enterprise.

CHAPTER 3  
 APPROACHES OF IMPROVEMENT OF EXPORT ACTIVITY OF THE  
 ENTERPRISE "PRPI PRAKTYKA"

3.1 Proposals for improving the effectiveness of export of “PRPI Praktyka”

In order to identify the factors of the internal and external environment of the organization, which include strengths, weaknesses, threats and opportunities, it is advisable to conduct SWOT– analysis [67].

Table3.1– Matrix of the SWOT-analysis of the “PRPI Praktyka”

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Highly qualified staff;</li> <li>- Good reputation among consumers;</li> <li>- Specialized production;</li> <li>- High quality products;</li> <li>- Zero VAT rate;</li> <li>- Stable relationships with consumers;</li> <li>- Continuing professional development of the employees of the enterprise.</li> </ul>	<ul style="list-style-type: none"> <li>- Ineffective advertising activities;</li> <li>- Most of the exports focus on a single external market;</li> <li>- Low level of awareness of foreign customers about enterprise`s products.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Searching for a new groups of customers;</li> <li>- Leasing;</li> <li>- Diversification of markets;</li> <li>- Hiring of trade representatives;</li> <li>- Creation of diversified structures.</li> </ul>	<ul style="list-style-type: none"> <li>- Dependence on suppliers;</li> <li>- High level of competition on market, especially for Russian manufacturers;</li> <li>- Technological changes and innovations;</li> <li>- Rise in price of raw materials and components to the level of world prices;</li> <li>- Reducing the solvency of consumers;</li> <li>- Ukraine's accession to the EU free trade zone.</li> </ul>

Thus, the highly qualified staff can be attributed to the strengths, as the company's employees regularly engage in advanced training and attend trainings, as well as sufficient competence of the staff can be judged by the high quality of manufactured products, which in turn brings the company a good reputation. Also the advantage of the company is specialized production. It helps the company to concentrate resources and use its production potential for the manufacture of highly

specialized products. In addition, a high export volume and well-established ties with consumers bring in a steady income, as they allow for long-term contracts.

It should also be noted that when the goods are sold for the customs territory of Ukraine, the exporter has the right to a budget reimbursement of the amount of value added tax provided the documentary evidence of the actual sale of goods for the customs territory of Ukraine and the provision of export calculations of export refunds on the basis of the tax period. In this case, the exporter is entitled to such a refund within 30 calendar days from the date the documents are presented.

As for the weaknesses of the enterprise, in order to increase the export potential, it is necessary to work out in detail the marketing policy of the company on the foreign market, for which it is necessary to avoid some mistakes.

– Wrong choice of target market. Taking into account the fact that the Russian Federation is the main trading partner of the enterprise, it becomes dependent on the economic situation in the importing country, and given the recent changes in interstate relations, the company is also influenced by political aspects. In this case, they have a negative impact on the export activities of the enterprise, so the company should look for alternative markets.

– Ineffectiveness of advertising. This factor includes the lack of advertising, the wrong frequency of its delivery to the consumer and ineffective forms of advertising. Despite the fact that the company has its own website, as well as advertises its products and services on the website “*prom.ua*”, advertising does not fully cover potential consumers, which makes it not effective enough. Therefore, the enterprise should use innovative advertising methods, such as alternative platforms for promoting its own products (google adword advertising service, social networks, specialized websites), targeting.

Speaking about the threats of the enterprise, given the fact that the enterprise is focused on one external market - the Russian Federation, it becomes dependent on the consumer, in this case on the Russian market, where there is political and economic instability, a decline in the solvency of the population. In addition, in the Russian Federation there are a number of enterprises that are engaged in such

activities and are competitors in this field. An increase in the level of competition is also observed in the domestic Ukrainian market in connection with the signing of the agreement on a free trade zone between the EU and Ukraine.

Another threat is the rapid level of technology development, which in turn requires the timely updating of production equipment in order to keep the goods competitive. Due to the economic crisis in Ukraine, which has been observed in recent years, valuable inflation, the depreciation of the national currency, there is an increase in the cost of raw materials, materials and components that are used in manufacturing to the level of world prices.

At the same time, the main directions of improving the export potential can be:

- Increasing the production of competitive products manufactured using advanced technologies in accordance with the requirements of the global market, relying on domestic intellectual resources [63];

- Hiring sales representatives who are able to monitor ongoing contracts and provide services for individual contracts;

- Creation of large and effective diversified structures capable of competing with the best foreign firms (to carry out independent policies at the local level, and jointly at the external level).

- Improving the quality of production and distribution infrastructure;

- Usage of international leasing mechanisms for the import of modern technological equipment [55].

- Deepening partnerships with the main suppliers and transport companies of the company could increase the quality and reduce the cost of imported products [62].

An enterprise has experience in working with representatives from the following countries: Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan. These countries can be divided into 2 groups. The first group includes countries with a high growth rate of production, which in turn makes the company's products potentially in demand.

According to the ranking of countries in terms of production growth rates, this group includes the following countries [28]: Georgia - 7% production growth,

Armenia - 5%, Kazakhstan - 4.9%, Uzbekistan - 4.5%, Russia - 1.1%.

These figures indicate the possibility of expanding sales of enterprise products in the listed markets.

The following group includes countries with low production growth rates: Azerbaijan - 6% of production growth, Belarus - 3.5%, Moldova - 3.4%, Tajikistan - 1%, Turkmenistan - 1%.

However, we should not be limited by the one strategy of retaining the established sales markets of the enterprise. High competitiveness of its products can be achieved by entering new markets and reducing dependence on existing ones. Based on the country ranking in terms of production growth rates for 2017, the following countries can be attributed to potential partners: Kyrgyzstan – 17,3% of production growth, Slovenia – 8,1%, Hungary – 5,5, Czech Republic – 5,3%, Poland – 4,2 %.

The selection of these countries took place not only by the criterion of the high growth rate of production, but also took into account the well-established economic relations between the countries and the well-established logistics channels. In addition, the important geographical location of the countries played an important role.

Thus, as a result of the conducted analysis, we made a conclusion that the enterprise has a number of strengths and advantages that can be used to develop export activities. There are also weaknesses and threats which the enterprise should overcome to improve the efficiency of the enterprise both in the domestic and foreign markets.

### CONCLUSIONS TO SECTION 3

In the third section, we applied the SWOT analysis, which helped to investigate and systematize the enterprise's difficulties and opportunities. After that, the ways were proposed to improve the effectiveness of both the export activity of the enterprise and the activities in the domestic market. However, it should be noted that the priority of the enterprise is the diversification of markets, as the main partner of the company is Russia, the relations with which are characterized by instability, due to political and economic complications.

At the same time, we cannot argue that the company is losing out due to cooperation with Russia, but it must be understood that because of the difficult relations between two countries, the company must diversify its sales and look for new markets. This is also evidenced by a graph of the dynamics of the effectiveness of using the export potential of the enterprise, which is gradually declining. Therefore, given the fact that the company has already had repeated experience of cooperation with other countries, the best for it will begin to search for the best ways to enter new markets. In this study, we paid attention to the potential partners of the company, which could be: Kyrgyzstan, Slovenia, Hungary, Czech Republic and Poland. In addition to the growing pace of production growth, decisive factors of choice were also the established economic ties between countries and established logistics channels. In addition, an important role played by the convenient geographic position of the countries.

## CONCLUSIONS

Today, due to political and economic changes in Ukraine, enterprises are forced to conduct foreign economic activity, constantly look for new sales markets and try to maintain their positions in the existing ones. But at the same time, when entering new markets, Ukrainian enterprises face harsh conditions - competition and dynamism.

Speaking of export, it stimulates the competitiveness of the enterprise by improving the technical level of production and product quality. The implementation of export activities also increases the effectiveness of the usage of natural resources and the advantages of the territorial division of labor, helps to reduce unemployment.

Thus, speaking of the importance of the export activities of an enterprise, we can also speak of the importance of developing a scientific and methodological basis for managing the export activities of an enterprise and improving its organizational, economic and methodological support.

Based on the purpose of the paper, the peculiarities of export activities were studied on the example of the “PRPI Praktyka”, where its condition was assessed and trends of its development were identified. In addition, the analysis of the activities of the enterprise made it possible to develop a number of activities aimed at improving the effectiveness of the enterprise.

The main scientific results of the work is as follows:

- Consideration the theoretical aspects of the organization of export activities of the enterprise;
- Evaluation of the economic condition of the “PRPI Praktyka”;
- The analysis and evaluation of the export potential of the “PRPI Praktyka”;
- Development of measures for improving the export activities of the “PRPI Praktyka” and justify their effectiveness.

At the beginning of our investigation, we got acquainted with the peculiarities of the company, its organizational structure and the main consumers of the products. Thus, speaking of the main activity of the enterprise, we can highlight the following types of



work - production, repair and maintenance of industrial and special-purpose equipment. It was found out that “PRPI Praktyka” cooperates with various enterprises of the chemical, metallurgical, coke-chemical, oil refining, food and construction industries of Ukraine, which have been regular customers for many years. In addition, it was determined that despite the small production volumes, the organizational structure of the enterprise has several levels.

Accordingly, we can distinguish the following working departments: production department, procurement department, accounting department, legal department. It should be noted that in addition to the Ukrainian market, the company also conducts export activities, where the most significant share of exports is taken by the Russian Federation, which is a regular buyer of goods and services of the enterprise.

After analyzing a number of economic indicators, we can conclude that the “PRPI Praktyka” can be called relatively young, and this is clearly demonstrated by significant performance jumps, especially in the early years of the enterprise, which is quite expected. In addition, it is important to understand that Russia plays a significant share in the consumption of goods and services, and because of political and economic shortcomings, including deterioration of relations between countries; we can observe a relative decline in export activity, which is shown in the graphs.

The situation is complicated by the fact that, the enterprise is not focused on mass production in its activities, but on the fulfillment of orders in accordance with existing contracts, it is impossible to identify the products to which exports should be oriented.

If we talk about general trends that have led to decreasing in the export activity of an enterprise, among them should be highlighted the general decline in the country's economy, which, in turn, led to an increase in prices, which led to an increase in the cost of goods. The decline in the hryvnia exchange rate also played its role, which also affected the export activity of the enterprise.

After all, we proposed several ways of increasing the efficiency of both the company's export activities and activities in the domestic market, such as: finding new customer groups, leasing, diversifying markets, hiring sales representatives, creating diversified structures.

However, it should be noted that, nevertheless, the primary task of the enterprise is the diversification of markets, because the main partner of the enterprise is Russia and relations with it are characterized by instability, in connection with political and economic complications. At the same time, we cannot claim that the company suffers losses due to cooperation with Russia, but we must understand that due to the difficult relations between the countries, the company must diversify sales and look for new markets. This is also evidenced by the graph of the dynamics of the effectiveness of the usage of the export potential of the enterprise, which is gradually rushing down. Therefore, taking into account the fact that the enterprise has already had repeated experience of cooperation with other countries, it will be better for it to start searching optimal ways to enter new markets.

In our study, we paid attention to the potential partners of the enterprise, which could include: Kyrgyzstan, Slovenia, Hungary, Czech Republic and Poland. In addition to the growing rate of production growth, decisive factors of choice were also well-established economic ties between countries and well-established logistics channels. In addition, the important geographical location of the countries played an important role.

The obtained results can be used by “PRPI Praktyka” during the formation of strategic plans for improving competitive advantages both in external and internal markets, as well as in determining the competitiveness strategy of the enterprise.

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# APPENDIXES

## Appendix A

### SUMMARY

Svichkar K.Y. Export activities of the enterprise: effectiveness evaluation and ways of improvement. – Masters-level Qualification Thesis. Sumy State University, Sumy, 2018.

The paper investigates the effectiveness of the enterprise's activity on the example of "PRPI Praktyka" and its export potential. The analysis of the main economic indicators, indicators of evaluation of export activity of the enterprise are carried out. The result of the study is the identification of existing problems of the enterprise and suggestion of recommendations for increasing its competitiveness in general, and products that it produces, both in the domestic and foreign markets.

Keywords: export, export potential, effectiveness of enterprise's activity, maximization of profit, foreign markets.

### АНОТАЦІЯ

Свічкач К.Ю. Експортна діяльність підприємства: оцінка ефективності та шляхи вдосконалення. – Кваліфікаційна магістерська робота. Сумський державний університет, Суми, 2018 р.

У роботі досліджено ефективність діяльності підприємства на прикладі ПП «ПНВП Практика» та його експортний потенціал. Проведений аналіз основних економічних показників, показників оцінки експортної діяльності підприємства. Результатом дослідження є виявлення існуючих проблем підприємства та розробка рекомендацій щодо підвищення його конкурентоспроможності в цілому, та продукції, що ним реалізується, як на внутрішньому так і на зовнішніх ринках.

Ключові слова: експорт, експортний потенціал, ефективність діяльності підприємства, максимізація прибутку, зовнішні ринки.

## Appendix B

### Abstracting foreign literary sources

#### 1. Kundakchyan R. Improving Assessment of Enterprise Economic Efficiency in the Current Market Conditions [67]

The goal of the article is to suggest and substantiate the main directions for improving the economic efficiency of domestic enterprises on the basis of complex assessment to achieve additional competitive advantages in the market.

Author of the paper claims that the process of enterprise efficiency presented in the scientific literature is largely descriptive and does not reflect methodological problems of establishing the optimal set of criteria and selection methods for determining and assessing the efficiency resulting in the models of improving enterprises efficiency that, in fact, has necessitated her study.

Taking into account a study of the company's efficiency, internal and external factors affecting the efficiency of the enterprise, author notes that it is necessary to consider the field of enterprise activity in the context of two groups. According this study, the first group includes such functional areas of business as marketing, research and development, purchasing, production and distribution.

The second group considers personnel, finance and development of organization. According to the author the staff and finances are an important resource of any activity and play a key role in all stages of development and implementation of enterprise products. Other types of resources are the part of the procurement, acquired through the usage of human and financial resources. Development as a functional area of the industrial enterprise is an activity aimed at increasing the attractiveness of the business and ensuring its growth.

Despite its independent significance in the present conditions, the possibility of enterprises development depends on the efficiency of their core activities, so this area is selected as the final component in the pattern of the core areas of business activity.

So , in the course of the analysis that was conducted by the author the following indicators for economic efficiency of enterprises are proposed: marketing, research and development, purchases, production, distribution, staff, finance and development.

## 2. Leonidas C. Building Successful Export Business Relationships: A Behavioral Perspective [68]

The article provides export management with a set of guidelines for establishing, developing, and sustaining successful export business relationships.

Although the United States has been one of the leading actors in international trade, limited evidence exists as to individual U.S. company relationships with overseas customers. On the basis of an American exporting manufacturers, the authors draw a comparison between harmonious and problematic foreign business relationships.

The findings reveal that, as opposed to problematic cases, firms with harmonious relationships are more experienced, employ more people, and exhibit more active behavior toward conducting their foreign business. Such firms sell to a greater number of export markets, deal with more foreign customers, and obtain more orders. The study also shows that harmonious relationships with overseas customers are distinguished by greater dependence, trust, understanding, commitment, communication, and cooperation but less distance, uncertainty, and conflict between the parties. The article provides export management with a set of guidelines for establishing, developing, and sustaining successful export business relationships.

## 3. Abor J. Do export status and export intensity increase firm performance [41]?

This study examines the effects of export status and export intensity on the performance of firms. The measures of performance include productivity and profitability. The results of this study indicate that export status and export intensity

have positive effects on productivity, confirming the learning-by-exporting hypothesis.

Author notes, that competition on the international market exposes exporting firms to new technologies, and this has the potential of increasing their productivity. Thus, economic policy initiatives should be directed at encouraging firms to enter the export market. Existing exporters should also be motivated to intensify their exporting efforts by exporting more of their output to foreign markets. Export-led growth strategies are meant to stimulate economic growth in the exporting country. Exports can affect an economy through productivity-enhancing externalities such as technology spillovers. The benefits of exports to an economy are said to include efficient resource allocation, greater capacity utilization of economies of scale, technological improvements, increased labor-surplus economies, increased foreign exchange earnings, and increased factor productivity.

According to the author, firms that operate in the international market learn new methods and technology from international exposure and competition and, therefore, should be in the position to attain higher productivity levels and growth rates than firms that operate solely in the domestic market.

The author claims that competition on the international market exposes exporting firms to new technologies, and this has the potential to increase their productivity. The findings support the learning-by-exporting hypothesis and results of some earlier empirical studies.

Also, author clarified that export intensity positively and marginally affects profitability, signaling the fact that exporting firms are able to expand their market base and increase sales volumes by selling to foreign markets. Exporting firms may also enjoy better selling prices in foreign markets, and this has the tendency of increasing their profit margins.

The results of the paper suggest that in exporting firms and high export-intensive firms perform better than non-exporting and low export-intensive firms. Thus, economic policy initiatives should be directed at encouraging firms to enter the export market. Existing exporters should also be motivated to intensify their



exporting efforts by exporting more of their output to foreign markets. This could be done through effective export-promotion activities such as financing local and international trade fairs, providing free information about foreign markets, and providing export financing and export credit insurance.