

섹션 5.

MANAGEMENT, PUBLIC MANAGEMENT AND ADMINISTRATION

DOI 10.36074/logos-21.06.2024.006

BASIC STRATEGIC TOOLS FOR ANALYZING THE COMPANY'S FINANCIAL AND PRODUCTION POTENTIAL: THE CASE OF "TROIPIK" LLC

Kulinich Tetiana¹, Bing Wang²

1. Ph.D., assoc. prof.,
assoc. prof. of Department of Management of Organizations
Lviv Polytechnic National University, UKRAINE
ORCID ID: 0000-0003-0110-7080

2. Master's student of Department of Management of Organizations
Lviv Polytechnic National University, UKRAINE

Abstract. *The article discusses the strategic toolkit for analyzing the company's financial and production potential. The main tool of the strategic toolkit in this case is the SWOT analysis, the partial basis for which is the ratio analysis. This toolkit was used to make strategic decisions regarding the future development of "Tropik" LLC. When evaluating the financial and production potential of this company, a limited list of indicators was used, focused on the assessment of individual components of assets and capital, revenue, expenses, and profit. As a result, the main attention is paid to the characteristics of the consequences of business activity management, the use of fixed assets, the solvency ensuring, the formation of the capital structure, and obtaining a certain level of coefficients of profitability of sales, assets, and equity. The indicated technique was used in the example of "Tropik" LLC, for which strategic steps were proposed taking into account the existing potential.*

Introduction. The most popular strategic tools for analyzing company development opportunities include the following [1]: 1) SWOT analysis, which helps to identify the internal strengths and weaknesses of the company, as well as external opportunities and threats; 2) PESTEL analysis, which permits us to determine the impact of external factors (political, economic, social, technological, environmental, legal) on the company; 3) competitive environment analysis, that facilitates to understand the activities of competitors and their strategies; 4) key success factors, that help to identify the main factors influencing the success of the company in a particular industry; 5) scenario analysis, that considers possible

development options and the consequences of different decisions. These tools enable the company to thoroughly analyze its potential development opportunities, forecast market changes, and make well-founded strategic decisions [2] – [4].

The informational basis for applying the strategic toolkit for analyzing the potential of the company development may primarily include internal information about the company, including its financial indicators, operational activities, products/services, personnel, and management. Also, the following can be added to the important sources of information [5]: 1) external information about the market, competitors, customers, technological, and other industry trends; 2) data on political, economic, social, technological, environmental, and legal aspects that may impact the company's operations; 3) results of previous analysis, such as SWOT analysis, PESTEL analysis, analysis of the competitive environment, key success factors, scenario analysis; 4) data on innovations, new technologies, and changes in consumer preferences that may affect the company's development strategy.

Collecting and analyzing this type of information will help the company better understand its development opportunities, identify potential challenges, and prepare well-founded strategies for successful business growth.

Thus, **the purpose** of this publication is to analyze the financial and production potential of an organization using a limited set of strategic tools with relevant informational support, as well as to examine methodological approaches using the example of a real company ("Tropik" LLC [6], [7]).

Research results. According to the main indicators reflecting the financial potential of "Tropik" LLC due to the main results of its activity, significant changes are observed, as shown in Table 1.

Table 1

Analysis of the financial potential of Tropik LLC: dynamics of main financial indicators for 2021-2023

##	Indicator	Indicator value for the year			Deviation for 2021-2023	
		2021	2022	2023	absolute deviation	growth rate,%
1	Net Sales (S), th. UAH	2 383 070	2 403 495	3 355 974	+972 904	+40.8
2	Cost of goods sold (COGS), th. UAH	2 071 957	2 032 767	2 910 792	+838 835	+40.5
3	Cost of goods sold in Sales (COGS/S), %	86.9	84.6	86.7	-0.2	-
4	Gross Profit (GP), th. UAH	311 113	370 728	445 182	+134 069	+43.1



섹션 5.

MANAGEMENT, PUBLIC MANAGEMENT AND ADMINISTRATION

Continuation of Table 1

##	Indicator	Indicator value for the year			Deviation for 2021-2023	
		2021	2022	2023	absolute deviation	growth rate,%
5	Operating Profit (OP), th. UAH	19 891	11 321	46 599	+26 708	+134.3
6	Net Profit (NP), th. UAH	8 576	2 910	25 699	+17 123	+199.7
7	Total Assets (A), th. UAH	466 848	577 027	663 216	+196 368	+42.1
8	Current Assets (CA), th. UAH	384 927	515 154	588 473	+203 546	+52.9
9	Current assets in total assets (CA/A), %	82.5	89.3	88.7	+6.3	-
10	Fixed Assets (residual cost) (FA), th. UAH	52 969	47 049	35 907	-17 062	-32.2
11	Fixed assets in total assets (FA/A), %	11.3	8.2	5.4	-5.9	-
12	Equity (E), th. UAH	79 531	82 441	108 140	+28 609	+36.0
13	Equity in Total Capital (E/A), %	17.0	14.3	16.3	-0.7	-
14	Retained Earnings (RE), th. UAH	65 031	67 941	93 640	+28 609	+44.0
15	Retained Earnings in Equity (RE/E), %	81.8	82.4	86.6	4.8	-
16	Current Liabilities (CL), th. UAH	368 771	490 454	529 860	+161 089	+43.7
17	Current ratio (CA/CL)	1.044	1.050	1.111	+0.067	-
18	Current Asset Turnover Ratio (S/CA)	6.191	4.666	5.703	-0.488	-
19	Net Profit Margin on Sales (NPM=NP/S), %	0.36	0.12	0.77	0.41	-
20	Return on Assets (ROA=NP/A), %	1.84	0.50	3.87	2.04	-
21	Return on Equity (ROE=NP/E), %	10.78	3.53	23.76	12.98	-

Calculated by authors using data [6], [7]

Based on the results of the analysis of the results of production and economic activities and the assessment of the financial potential of "Tropik" LLC, the following can be said:

- the amount of assets and capital of the organization under study increased despite the financial and economic crisis in the country, and the company was able to increase individual components of its own and borrowed capital;
- the composition of assets is dominated by working capital, the mobility of the organization's assets is sufficient;

- the financial structure of the organization, assessed by the ratio of equity and borrowed capital, shows a tendency to increase long-term loans as sources of financing;

- there are no problems with the turnover of the organization's current assets (high values of all ratios), and a certain acceleration of the rotation of these assets is also observed;

- the solvency of the organization (assessed by the current ratio) is quite sufficient;

- the analyzed profitability indicators (ROA & Net Profit Margin) are low, although they have increased over the last 2 years, ROE is moderate.

Based on the results of the analysis of the production potential of "Tropik" LLC, the state of fixed assets and their use in the production system of the company was established. The technical condition of the company's fixed assets was assessed from indicators such as the wear and tear coefficient and serviceability coefficient. The values of these coefficients indicate the unsatisfactory qualitative (technical) condition of fixed assets. This means that the organization's existing equipment is not updated on time. There are also negative trends: for 2021-2023. the wear rate has increased, and accordingly, the suitability rate has decreased. As for the coefficient of the real value of the property, comparing its value with the standard value (0.5), it can be argued that the real value of the organization's property is much lower than the standard, and this coefficient has also decreased during the reporting period (2021-2023). Consequently, the actual production potential of the organization may become a threat to its development.

The analysis of the efficiency of use of fixed assets was carried out using a system of natural and cost indicators, the main of which are capital productivity and capital intensity. In general, for 2021-2023 capital productivity increased and, accordingly, there was a decrease in the capital intensity of production fixed assets, which indicates an increase in the efficiency of the use of fixed assets during this period. In general, the level of capital productivity has become very high.

Based on the capital intensity indicator, we can say that there are enough fixed assets, although the provision of fixed assets per unit of personnel becomes lower. At the same time, the existing technical means, in terms of their technical parameters, are becoming more and more obsolete every year, both physically and morally. However, the available equipment is used efficiently, and therefore the volume of sales of goods is accelerating.

To summarize the results of assessing the state of management of the use of the main components of "Tropik" LLC's potential, we use the SWOT analysis method. In Table 2 we will establish connections between the opportunities and threats of the external environment and the strengths and weaknesses of the organization by constructing the SWOT matrix.

섹션 5.

MANAGEMENT, PUBLIC MANAGEMENT AND ADMINISTRATION

Table 2

SWOT analysis matrix at "Tropik" LLC

Strengths	Weaknesses
High quality of goods and services (+9)	Profitability ratios (ROA & NPM) are still low (-9)
Experienced and professional staff (+9)	The need to restore the growth rate of the organization's financial results after the financial crisis (gross and net profit, profitability) (-6)
Sufficient solvency (+6)	
Moderate but constant increase in turnover of current assets (+6)	
Increasing market share in Ukraine (+4)	High depreciation of fixed assets (-6)
Availability of technological and marketing innovations (+2)	High level of dependence on debt capital (-4)
Sufficient capacity for operational activities (+2)	Decrease in capital-labor ratio (-2)
Opportunities	Threats
Smaller range of most industry competitors (+6)	The unstable state of legislation regulating economic activity (-6)
The significant innovative potential of the industry (+4)	Rapid rise in prices for fruits in domestic and foreign markets (-6)
The emergence of new buyers of goods and their favorable attitude towards it (+4)	Difficulties with the delivery of certain goods (fruits and vegetables) across the borders of Ukraine (-3)
A significant number of professionals in the labor market (+4)	Unresolved problems with creditors, participants, and dismissed employees (-2)

Constructed by authors using data [6], [7]

Taking into account the factors assessed during the SWOT analysis, the following goals of "Tropik" LLC can be identified: 1) to ensure a stable increase in sales volume by 30% in subsequent years of the company's activity; 2) try to increase your market share in Ukraine; 3) increase the growth rate of the organization's profitability at a level of at least 10-15%; 4) ensure better use of production capacity, maintain high capital productivity of fixed assets at the level achieved in 2023, and carry out gradual renewal and modernization of fixed assets; 5) continue an active marketing innovation policy.

We will evaluate potential options for the development of "Tropik" LLC by studying the chain relationships between factors in the 4 fields of the SWOT matrix. Based on the predominant number of identified factors and the chain connections between them in the field of the SWOT matrix "Strengths and Opportunities", it is advisable for "Tropik" LLC to choose a growth strategy based on the use of strengths to realize the opportunities that exist in the market. At the same time, society cannot neglect threats from the macroenvironment, since they threaten an increase in staff turnover, deterioration in financial results, etc.

The “Strengths and Opportunities” field provides that the organization, having highly professional personnel, a sufficient production base, and having explored new opportunities in the industry market, will be able to choose the right direction for development. This will allow the organization to improve financial results, use a significant amount of capital and property, optimize the use of existing development capacities, normalize imbalances in the financial condition (in particular, ensure a normal financial structure and increase solvency), and improve financial results (profitability).

The identified problems and prospects are based on the general analysis of the activities of this organization carried out in this section and the study of its current management system, the analyzed priority areas for improving the management of the main activities of this organization, the study of the personnel management process in it, and the provision of characteristics of the strategic management system in “Tropik” LLC.

Conclusions. When applied to analyzing the production and financial potential of a company, a SWOT analysis can provide valuable insights into its current capabilities and prospects in the future. Strengths give the organization an advantage over competitors, such as efficient production processes, strong financial performance, skilled workforce, or unique products/services. Weaknesses may hinder the organization's performance and growth, such as outdated production equipment, high levels of debt, lack of diversification in product offerings, or ineffective cost management. Opportunities could be exploited to the organization's advantage, such as growing market demand for its products/services, emerging technologies that could improve production efficiency or favorable economic conditions for expansion. Threats could potentially harm the organization, such as intensifying competition, regulatory changes affecting production costs, economic downturns impacting sales, or disruptions in the supply chain.

By conducting a SWOT analysis specifically focused on production and financial aspects, an organization can identify areas where it can leverage its strengths to capitalize on opportunities, address weaknesses that may impede growth, mitigate threats that could pose risks to production and finances, and develop strategies to maximize its potential for success in these key areas.

General recommendations for unlocking the existing potential of “Tropik” LLC and improving the management of its use will be as follows:

- continue to increase income from the sale of the company's core (operating) activities;
- invent opportunities and reserves to reduce the cost of goods (works, services) sold, in particular, apply controlling means;
- justify significant material costs, labor costs, as well as administrative costs;

섹션 5.

MANAGEMENT, PUBLIC MANAGEMENT AND ADMINISTRATION

- due to an increase in net profit, it is necessary to increase retained earnings in the organization's equity capital, which in turn should be directed to the development of the organization, which will increase the amount of equity capital and its share in liabilities, and at the same time optimize the capital structure;
- increasing the amount of equity capital in the ways indicated above will also increase the total capital and, accordingly, the value of assets of the company; in future activities, it is also necessary to take a more reasonable approach to attracting borrowed capital to expand activities;
 - renewal, modernization, and/or reconstruction of fixed assets are at an unsatisfactory level; more attention should be paid to these processes;
 - the tendency towards normal solvency of the organization should be maintained;
 - the general recommendation for current assets would be to maintain at the same level or increase the intensity of use of individual current assets (in particular, inventories);
 - when analyzing the organization's profitability, it was found that the best financial results (amount of income) were obtained at the end of 2021; therefore, the organization should return to the achieved results, although they are insufficient compared to industry results;
 - regarding the organization's profitability indicators, the general recommendation would be to invent opportunities to improve their values.

REFERENCES:

- [1] Berisha-Qehaja, A., Kutllovci, E., & Shiroka-Pula, J. (2017). Strategic management tools and techniques usage: a qualitative review. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 65(2), p. 585-600, doi: 10.11118/actaun201765020585.
- [2] Krasnokutska, N. (2005). *Enterprise potential: formation and assessment*. ed. manual Kyiv: Center of Educational Literature, 352 p.
- [3] Maslyhan, O., Kulinich, T., Zhadanova, Y., Biletska, N., & Buhaiova, M. (2022). Management model of financial potential of the production enterprise: collective monograph (Monographic series «Scientific environment of modern human»; book 22, part 1). Odessa: Kuprienko SV, 124 p. DOI: <https://doi.org/10.30888/2663-5569.2022-22-01>.
- [4] Shymanovska-Dianyach, L., Kulinich, T., & Kredisov, V. (2022). *Organizational and economic mechanism of economic activity of the enterprise and effective use of its resource and financial potential in terms of change management*. In: D. Diachkov, ed., 2022. Security management of the XXI century: national and geopolitical aspects. Issue 4. Prague: Nemoros s.n.o., p. 112-118.
- [5] Maslihan, O., Korobovych, O., & Kulinich, T. (2022). Information and Organizational Resources of the Financial Potential of the Production Enterprise. *Investments: practice and experience*, No. 18, p. 18-24. DOI: <http://doi.org/10.32702/2306-6814.2022.18.18>.
- [6] Tropik LLC. Finance. *YouControl*. Site. URL: <https://youcontrol.com.ua/en/contractor/?year=2023&id=6899991&tb=financial-statements> (accessed 25/05/2024).
- [7] *Tropik LLC*. Site. URL: <https://tropik.ua/page/o-kompanii-p2/> (accessed 25/05/2024).