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## **THEORETICAL BASIS OF MANAGING OF ENTERPRISES' FINANCIAL POTENTIAL ON THE BASIS OF ANTI-CRISIS MANAGEMENT**

**Purpose.** *The purpose of this study is to identify the nature and priority tasks of managing the financial potential of enterprises, as well as the definition of approaches to such management on the basis of crisis management.*

**Methodology / approach.** *The solution of the specified tasks was carried out by using general scientific and special methods, in particular: monographic, dialectical, abstract-logical, analysis and synthesis for defining conceptual approaches to management of enterprises' financial potential on the basis of crisis management; induction and deduction – to construct a research structure.*

**Results.** *The necessity of effective management of enterprises' financial potential is determined. The most expedient concepts of financial management, the introduction of which improves the quality of management of enterprises' financial potential, are identified. A list of tasks of crisis management, which are basic in managing the financial potential of enterprises, is described. Conceptual approaches to management of enterprises' financial potential on the basis of anti-crisis management are considered.*

**Originality / scientific novelty.** *The approaches to managing the financial potential of enterprises are improved, which, unlike the previous one, is based on the principles of crisis management through the use of preventive, situational or combined type of management, which will further identify the reserves for strengthening financial capacity.*

**Practical value / implications.** *It is determined in application of the proposed conceptual approaches to managing financial potential on the basis of anti-crisis management in the practical activities of domestic enterprises, which will allow to quickly detect, respond and prevent the emergence of crisis situations.*

**Key words:** *financial potential, enterprises, anti-crisis management, conceptual approaches, management.*

**Introduction and review of literature.** In the process of production activity, the entity must constantly take into account the existing financial needs, as well as search for financial resources and rational use of their capabilities for effective functioning and development. Under such conditions, this change in financial potential requires solving important problems of domestic enterprises [1]. Modern enterprises annually put in place the need to ensure financial efficiency and financial security, strengthen financial autonomy, and strengthen the competitiveness of production activities. This allows receiving meaningful data for all financial potentials that should be directed to its dynamic development. When forming an effective financial potential of an enterprise it is important to take into account the introduction of an effective management process. Therefore, the search for effective mechanisms of managing the financial potential of enterprises is of great importance.

Many of the well-known economists, including I. Blank [2], are involved in scientific research on the formation and strengthening of financial potential of enterprises. At the same time, the issue of the introduction of crisis management at the enterprises is a sphere of scientific interests of such scholars as V. Andrienko and others [3], W. Gajda, V. Zaplatynskyi [4], K. Garskaite-Milvydiene [5], V. I. Borzenko [6], A. V. Kamneva, T. Yu. Mozhevenko [7], O. Linnik, R. F. Smolovyk, I. A. Yur'yeva [8], L. I. Skibits'ka, V. V. Matvyeyev, V. I. Shchelkunov, S. M. Podryeza [9].

I. O. Blank, as the most famous researcher in financial management in Ukraine, in his writings investigated the formation of a financial strategy of enterprises and its influence on the efficiency of management of its financial potential [2]. Management of the financial potential of enterprises is an important and priority task of the national science. According to the conditions of the economic system of Ukraine, enterprises should pay particular attention to the management of the existing financial potential and increase its volume. According to its essence, financial potential, among other things, reflects the state of financial support of the enterprise, which suffers from high riskiness of activity and instability of macroeconomic factors [1]. Thus, the world experience distinguishes the most appropriate concepts of financial management, the introduction of which improves the quality of management of the financial potential of enterprises: the theory of balanced indicators (authors D. Norton, R. Kaplan), a model of financial support for sustainable development of the enterprise (authors J. Van Horn, R. Higgins), a model for the valuation of financial assets based on systematic risk (author W. Sharp), a model for estimating options (authors F. Blake, M. Scholes) [6; 7].

Regarding the theory of balanced indicators (BSC), it is worth highlighting its high efficiency in managing financial potential of enterprises. Developed in the 90s of the twentieth century, this concept does not lose its relevance to these days, since it is aimed at systemic corporate governance in the long run. The review of the BSC system is carried out through a comprehensive assessment of four aspects of business: customer relations (consumer), internal business processes (production), training and development of personnel (innovative), and financial unit. According to K. Garskaite-Milvydiene, the main stages of the application of the theory of balanced indicators in the practice of agrarian enterprises to manage their financial potential should be: strategic planning; definition of goals; for each of the goals setting the factor of success, on which the achievement of the tasks depends; definition among the critical factors of the target factors of success; formation of BSC on the basis of grouping goals (common to specific) [5].

Furthermore, S. Juszczuk, R. Balina determined five ways of improving the effectiveness in an enterprise as a result of singular decisions in the light of the rational managing principle as it has been understood so far as well as in a proposed extended version [10]. Moreover, V. Klepac, D. Hampel stated it is obvious that with the increasing distance to the bankruptcy, there decreases the average accuracy of the financial distress prediction and there is a greater difference between the active and

distressed companies in terms of liquidity, rentability and debt ratios [11]. At the same time, A. Brzozowska, D. Bubel, A. Kalinichenko, L. Nekrasenko identified the basic conditions of the functioning and change of the financial system of agriculture under the conditions of financial market globalisation. Financial globalisation, also referred to as financial integration or openness, is understood as an increase in global ties and interdependences caused by capital flows, so it influences the financial potential [12].

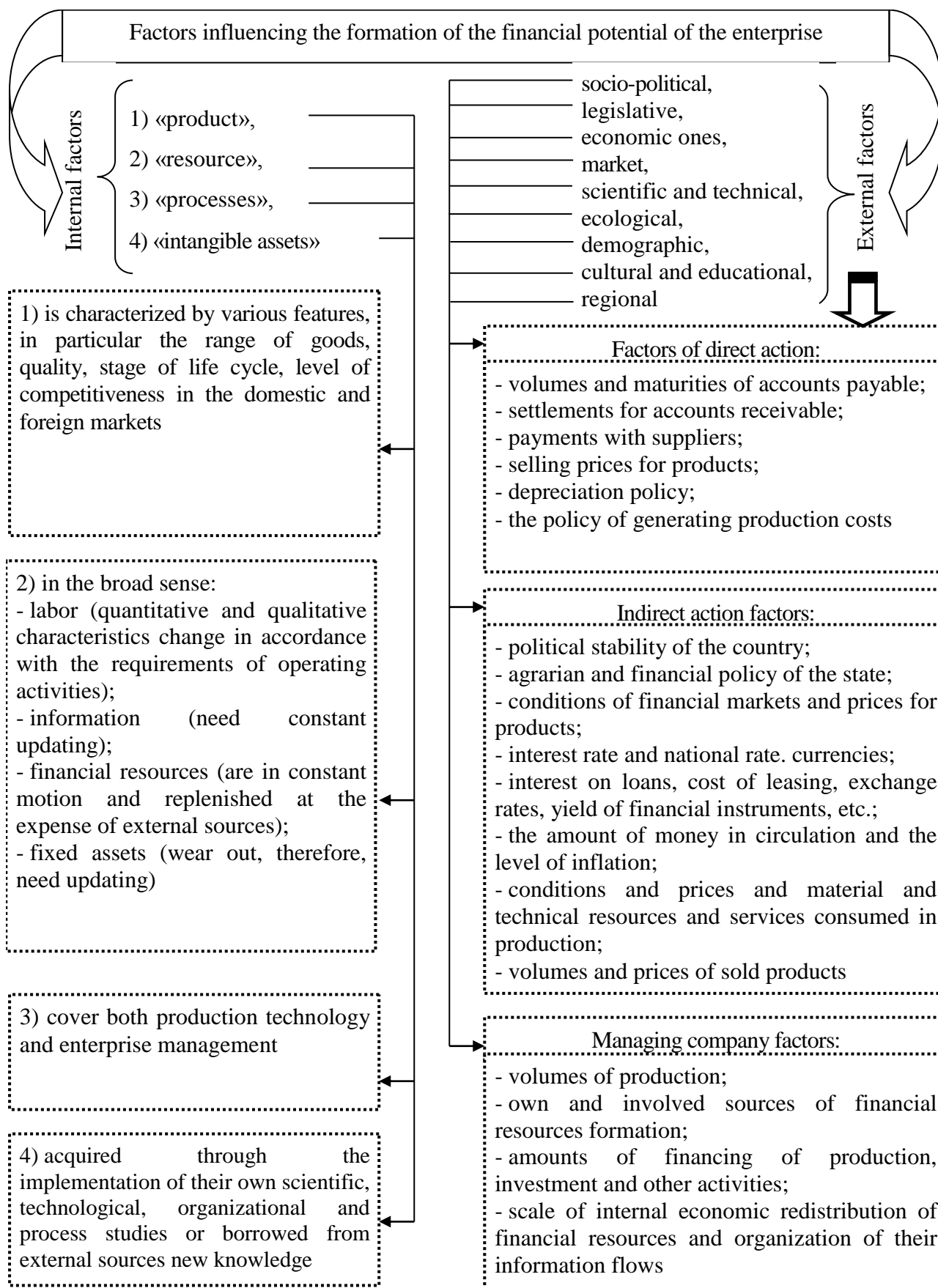
Along with this, the scientific issue of determining the approaches to managing the financial potential of enterprises on the basis of crisis management is not well-studied and relevant.

**The purpose of the article.** The purpose of this study is to identify the nature and priority tasks of managing the financial potential of enterprises, as well as the definition of approaches to such management on the basis of crisis management.

**Results and discussion.** Management of the financial potential of enterprises must be carried out taking into account the requirements of the present, and therefore it should be based on the methods and tools of crisis management of finances. Anticrisis management is an integral part of enterprise management as a whole, which involves a special, constantly organized management aimed at the most prompt detection of signs of a crisis situation and the creation of appropriate prerequisites for timely overcoming it in order to ensure the viability of an individual enterprise and prevent the emergence of its bankruptcy situation [8]. At the same time, the development of strategies for crisis management of an enterprise requires the use of mechanisms for continuous monitoring of the internal and external environment in order to identify factors that threaten the functioning of the socio-economic system [4; 9].

The financial potential of an enterprise should be considered as a qualitative characteristic of its financial status expressed by the ability to generate a certain amount of financial resources in the form of cash, effective use of which will provide the company with economic growth and provide the desired financial result. We will determine the factors of the environment that affect the development of the formation of financial potential of the agrarian enterprise: socio-political, legislative, economic, market, scientific and technical, environmental, demographic, cultural and educational, regional, and internal – «products», «resources», «processes», «intangible assets» (Fig. 1).

The negative experience gained by the world economy during the crisis has shown a high level of dependence of economic stability on the functioning of economic entities from the state of its financial potential. Therefore, it is expedient to solve such problems of crisis management, which are basic in the management of financial potential of enterprises, namely: identification of threats and risks as a reason for the increase of the level of danger in the process of economic activity of the enterprise, impeding financial potential; definition of financial security indicators of an enterprise as a factor of financial potential; development of financial security monitoring system in order to increase financial potential;



**Fig. 1. Factors influencing the formation of financial potential of enterprises**

Source: developed by the authors [1].

definition of critical values of financial security indicators; systematic monitoring of financial security; development of anti-crisis decisions aimed at ensuring financial security of the enterprise; coordination of the process of realization of anti-crisis decisions on financial potential with the tasks and priorities of the economic entity; control over the implementation of decisions, their assessment and correction [3].

The effectiveness of anti-crisis management of the financial potential of an enterprise directly depends on:

- the quality of training of the staff, which must make informed decisions in conditions of not always complete information, be prepared to act in non-standard conditions, be trained and have the necessary knowledge;

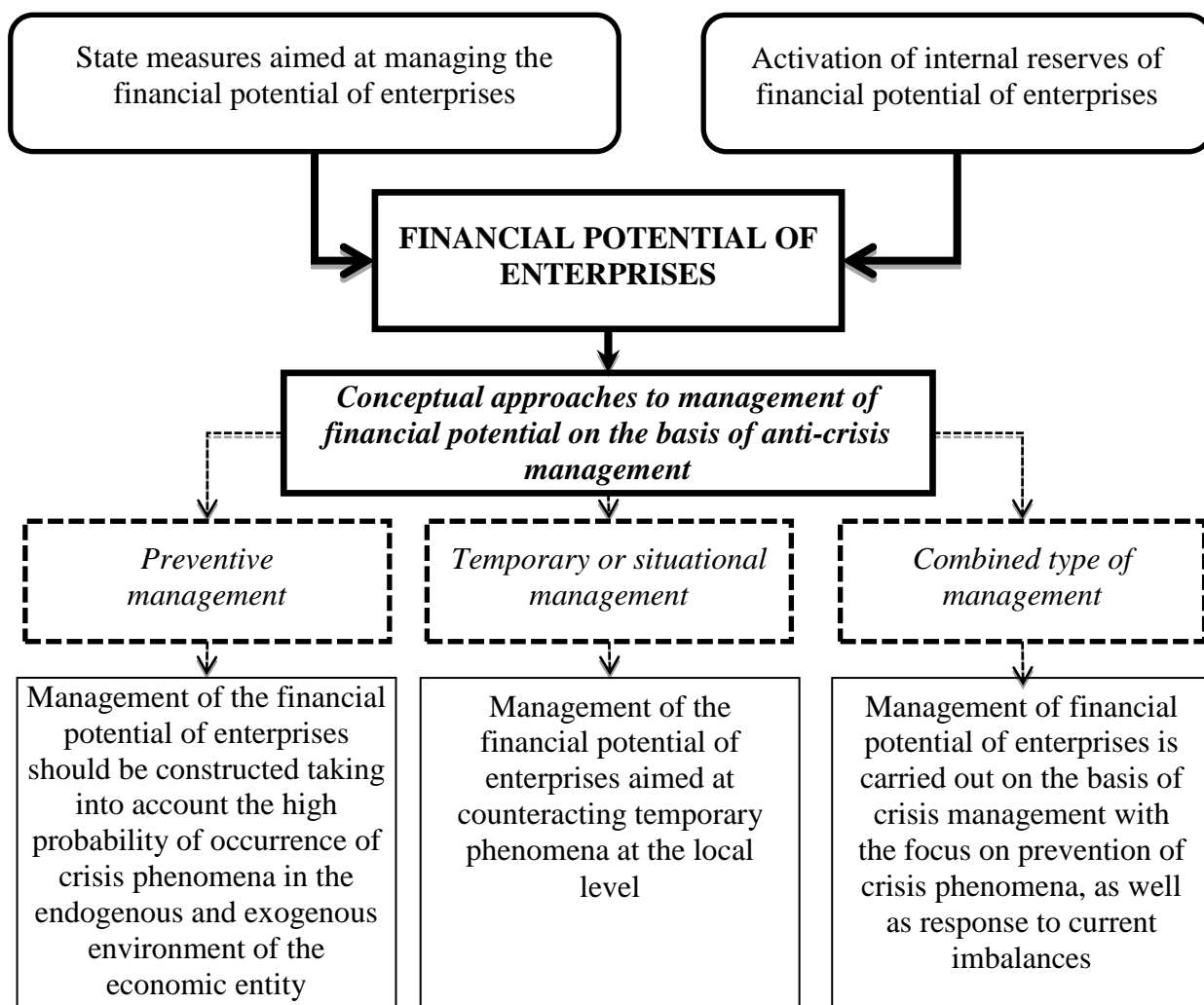
- the clarity of the functioning of the monitoring system, which would provide complete information on the current level, dynamics and possible changes in the level of financial security;

- the existence and operation of the preventive management system, which would allow timely feelings about the formation of internal and external factors and processes that can lead to the emergence and development of the threat and risk, predict their occurrence and possible consequences.

Given the high level of dependence of financial potential of enterprises on the quality of crisis management, it is necessary to focus on the basic conceptual management positions that underlie the mechanism of managing the financial potential of the enterprise (Fig. 2).

The conceptual approach to management of financial potential on the basis of anti-crisis management involves taking into account the high probability of occurrence of crisis phenomena. Under such conditions, the management of financial potential of enterprises should be constructed taking into account the probability of occurrence of crisis phenomena in the endogenous and exogenous environment of the economic entity, which involves the implementation of the following measures: analysis of the experience of partners and competitors in the management of financial potential in a crisis of the national economy with the help of modern tools (including benchmarking); taking into account the risk of the negative impact of crisis processes on the financial activity of the enterprise; development of measures to minimize possible threats [13].

As an example, consider the most actual threats to the financial potential of agrarian enterprises, which should focus attention, in particular, on: crop failure, adverse climatic conditions and exogenous factors. Regarding the risk of poor crop agribusiness, it should be noted that this type of risk is one of the most common risks in agriculture, and therefore, in order to manage the financial potential of agrarian enterprises, it is necessary to focus on the possibilities of its leveling. First of all, it is expedient to carry out a detailed analysis of the state of development of the agrarian sector of Ukraine in order to identify the most risky types of activity according to this type of risk. Thus, an agrarian enterprise needs to determine the production vector of activity and, if necessary, to adapt it. Another way to minimize and reduce the risk of bad crop may be to increase the reserve fund to cover losses.



**Fig. 2. Conceptual approaches to management of financial potential of agrarian enterprises on the basis of anti-crisis management**

Source: developed by the authors [1].

The experience of overcoming the crisis phenomena by economic entities has shown that successful overcoming of negative crisis phenomena is possible due to the availability of financial resources for enterprises to level off adverse situations.

In addition to the risk of bad crop, significant adverse effects on the financial potential of enterprises are caused by adverse weather conditions that lead to the impossibility of profit from financial and economic activity. In our opinion, measures to overcome such a situation should be primarily to monitor the natural and climatic conditions of the region of agricultural activity in the dynamics. Such an analysis will reveal the possibility of occurrence of natural phenomena and carry out the appropriate planning of the business entity. The account of weather conditions is very important in agriculture, and therefore has a significant impact on managing the financial potential of agrarian enterprises. For example, according to the forecast of weather conditions in the previous period, the high-probability of drought has been detected by the relevant services monitoring this factor. In response to these forecasts, the agrarian enterprise adjusts the financial plan of production and provides additional financial reserves for irrigation of crops. Therefore, in case of such an

event, the financial potential of the agrarian enterprise will be protected. Also, taking into account the forecast of natural and climatic conditions, it will be expedient to protect the financial potential of the agrarian enterprise to abandon certain activities (as an example, the refusal to grow spring wheat in exchange for an increase in the area of winter crops).

It should also be noted that to protect the financial potential of agrarian enterprises from the negative effects of the threat of bad crop and adverse weather conditions, the use of insurance is relevant. It should be mentioned that the deterioration of the national situation in the country affected the insurance services of agrarian enterprises, which changed the vector orientation of its development. In addition, exogenous factors have a significant impact on the management of the financial potential of agrarian enterprises. First of all, the deepening of the financial and economic crisis in the national economy requires the following administrative measures: an increase in the monetary reserves of the agrarian enterprise; refusal from highly risky projects; increase of deposits of business entities; attraction of reliable domestic and foreign investors, etc.

The second conceptual approach that can be implemented in order to manage the financial potential of enterprises under the conditions of crisis management is temporary or situational management. Its essence lies in the management of the financial potential of the company orienting the counteraction to the temporary crisis phenomena at the micro level. Accordingly, it is intended to overcome the consequences of crisis phenomena, which leads to a reduction in the solvency and reliability of the business entity, since the episodicity of the reactions requires additional financial resources, which in the conditions of the crisis have a higher level of constraint and value (in the case of their external attraction). In addition, the company's activities are aimed at solving current financial plans and production tasks. The combined type of management of financial potential of enterprises is based on the principles of crisis management with a focus on the prevention of crisis phenomena, as well as response to current imbalances. It provides for stabilization and preventive management tools packs that are based on the principles of the first and second conceptual approaches [14].

Significant role in managing the financial potential of enterprises belongs to the state of financial resources of the business entity. It is established that in the conditions of crisis development of the national economic system, the attracted credit resources are of great importance. In particular, for enterprises, the negative impact on their solvency, and, accordingly, on the state of financial capacity, overdue credit indebtedness. In addition to the detrimental effect on the reputation of such an enterprise, the violation of the rules and regulations of credit funds reduces the state of financial indicators, violating the profitability and efficiency of economic activity. First of all, in the management of payables, it is necessary to pay attention to: terms and conditions for the formation of arrears; amounts of balances on loans; the ratio of own and borrowed capital of the enterprise; level of liquidity of the economic entity, etc.

In practice, the majority of enterprises are widespread use of borrowed financial



resources, which most often have the very nature of credit. Therefore, it is important for the effective management of the financial potential of enterprises to take into account this aspect. First of all, it is necessary to determine the appropriateness of attracting financial resources, which should not be limited to establishing only their intended purpose. A necessary prerequisite is the determination of economic feasibility: how the attraction of a loan will affect the state of liquidity and solvency of the enterprise, whether the performance of the economic entity and the quality of financial indicators will change. The enterprise should have such an organization of financial and economic activity, which provides an opportunity to obtain objective financial reporting, which will become an information base for analysis, forecast and development of management decisions [14]. For effective asset management, enterprises need: an adequate information base that should be sufficient and reliable for thorough analysis for the purpose of managerial influence; provision of common methodological principles for the organization and accounting of certain components of assets, liabilities and capital, which makes comparison of data base of information; the effectiveness of management decisions provides transparency of the information base, which becomes of particular importance during periods of economic crisis, corruption and instability of the economy.

Shortcomings in the management of accounts receivable also lead to a decrease in its financial potential. Thus, management of financial potential of enterprises should be considered also in this aspect. The sharp negative changes in the state of the economic environment of the functioning of domestic enterprises forced business entities to increase receivables, which due to lack of financial resources from the partners of the company leads to a reduction of financial potential. To diagnose the status of receivables, it is necessary to determine the period of accounts receivable, systematizing the period of occurrence, the share in the total working capital, as well as determining the net realizable value of receivables agrarian enterprises. In addition, it is advisable to conduct a thorough analysis of the debtors, in particular, assessing credit history and diagnosing the financial condition of the enterprise.

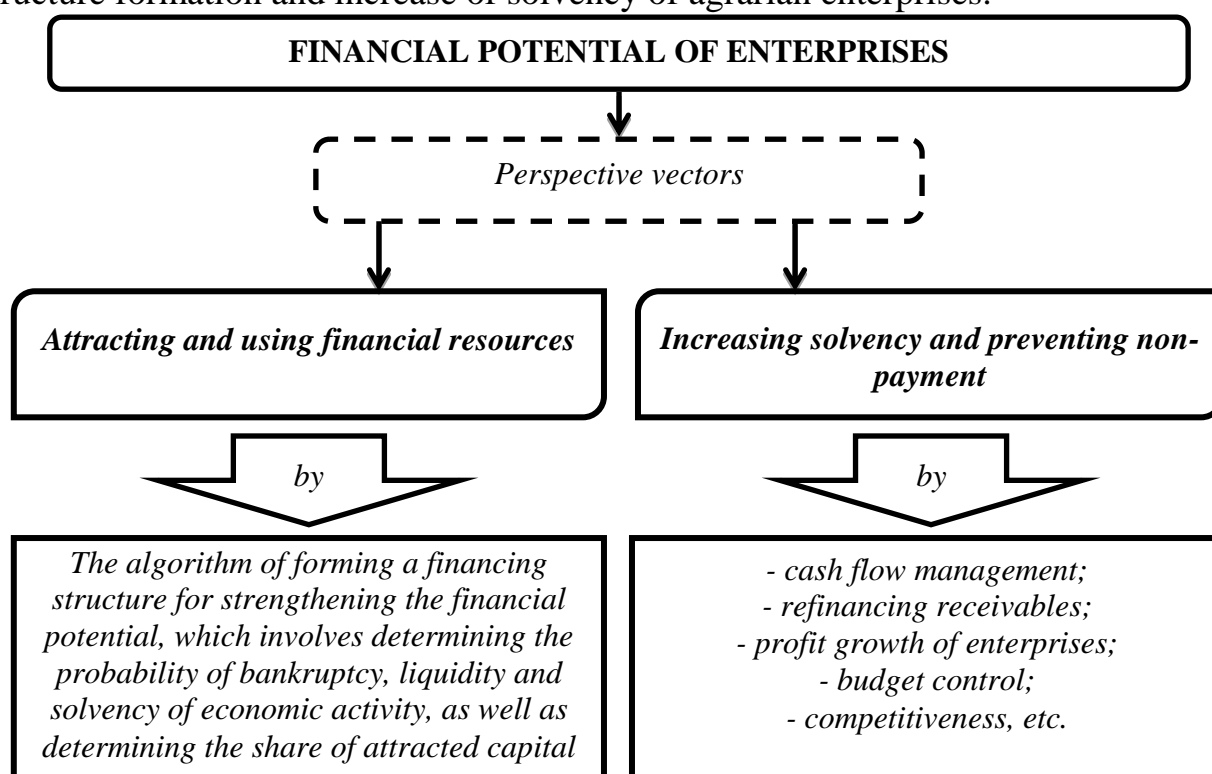
One of the options for solving problems with accounts receivable, which threatens the financial potential of the company may be a refinancing procedure. The algorithm of realization of this financial operation allows strengthening primarily financial security of the economic entity by the receipt of funds. At the same time, it would be advisable to use such refinancing methods as forfeiting financing, cession transactions, factoring, accounting of promissory notes issued to buyers of products, insurance receivables, bank guarantees, pledges, etc. [15].

Forfeiting and factoring transactions, as well as any financial transaction, have their own risks, due to the shortcomings that they have. In particular, the search for a forfeiting company in Ukraine today is limited due to the state of national security. Existing legislation does not sufficiently determine the legal conditions for the implementation of these operations in the domestic market. Failure to resolve political turmoil in the country leads to a decline in forfeiting. According to the European Bank for Reconstruction and Development, the largest amount of forfeiting

funding was made in Ukraine in 2010 and amounted to 1.3 billion euros, while the total amount in Europe exceeded 889 billion euros, and the average level in the European countries was 12–15 billion euros in 2010–2015 [16].

Proposed measures to manage the financial potential of enterprises are aimed at improving the existing situation of its functioning. But it should be emphasized that the financial and economic crisis of the domestic economy significantly increased the shadowing of economic activity of economic entities, which negatively affects both the reputation of agrarian enterprises and the level of its financial security, reducing the available financial potential, as well as the state of development national economic system [17]. This aspect needs to be taken into account when developing a program for managing the financial potential of enterprises, namely: providing a thorough check of all counterparties and partners of the company, focusing on their solvency and reputation, etc.

Consequently, on the basis of the conducted research, it is expedient to form such perspective vectors of strengthening the financial potential of enterprises as (Fig. 3): attracting and using financial resources through the algorithm of financing structure formation and increase of solvency of agrarian enterprises.



**Fig. 3. Prospective vectors for strengthening the financial potential of agrarian enterprises**

Source: developed by the authors [17].

Thus, when applying the methods of crisis management, key reserves that will strengthen the financial potential of enterprises will be the expansion of assortment and structure of financial resources, strengthening of competitive advantages, increase of solvency, increase of income of the enterprise, attraction of investment resources and development of export-oriented directions.

**Conclusions.** To conclude, improvement of management of the financial potential of agrarian enterprises should be carried out through the implementation of the principles of crisis management, focused on possible risks of enterprise development, management of accounts payable and accounts receivable. Therefore, we consider it expedient to increase the financial potential of enterprises to implement its management by such key vectors as: anti-crisis management, management of loans and own assets, based on the conditions of high shadowing and instability of the economic environment of the country. The implementation of the proposed recommendations will improve the state of financial potential management and ensure high efficiency of financial and economic activity of the enterprise.

The scientific novelty is to improve the approaches to managing the financial potential of enterprises, which, unlike the previous one, is based on the principles of crisis management through the use of a preventive, situational or combined type of management, which will further identify the reserves for strengthening financial capacity.

The prospect of further research, given the high relevance of the proposed components of improving the management of financial potential of enterprises, is to determine the reserves for improving the efficiency of managing own assets using the DataMining method, that is, we consider it appropriate to adapt the existing experience of identifying risk partners used in the banking sector.

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