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на тему:

**“Організація та планування зовнішньоторговельних операцій підприємства”**

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**FINAL QUALIFYING PAPER**

**on the topic:**

**“Organization and Planning of Company’s Foreign Trade Operations”**

(based on materials of PJSC GARMENT FACTORY “VORONIN”, Kyiv)

Student of the 2<sup>nd</sup> year, group 5am,

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## АНОТАЦІЯ

### Куряти М.С. Організація та планування зовнішньоторговельних операцій підприємства

Випускна кваліфікаційна робота на здобуття освітнього ступеня магістра за спеціальністю 073 «Менеджмент», спеціалізацією «Менеджмент ЗЕД». Київський національний торговельно-економічний університет, 2018.

У випускній кваліфікаційній роботі проаналізовано сутність та особливості організації та планування зовнішньоторговельних операцій підприємства. Представлено методичні підходи до оцінки ефективності експортних операцій підприємства.

Проаналізовано фінансово-господарську діяльність та досліджено зовнішнє середовище ПрАТ ШВЕЙНА ФАБРИКА «ВОРОНІН». Здійснено оцінку рівня ефективності експорту підприємства.

Представлено пріоритетні напрями удосконалення організації та планування зовнішньоторговельних операцій ПрАТ ШВЕЙНА ФАБРИКА «ВОРОНІН». Здійснено обґрунтування комплексу заходів щодо оптимізації організаційної структури ПрАТ ШВЕЙНА ФАБРИКА «ВОРОНІН». Проведено розрахунок прогнозних показників експорту на коротко- та середньострокову перспективу з урахуванням запропонованих заходів.

Ключові слова: стратегія експорту, зовнішньоторговельні операції, ефективність, оцінка експорту, середовище.

## ABSTRACT

### **Kuriata M.S. Organization and planning of company's foreign trade operations**

Thesis for the degree of Specialist 073 "Economics", specialization "Management of foreign economic activity". Kyiv National University of Trade and Economics, 2018.

In the thesis work, the essence and features of organization and planning of foreign trade operations are identified. Methodological tools for evaluating the effectiveness of export operations are found out.

The financial and economic activity of PJSC GARMENT FACTORY "VORONIN" and the external environment are monitored. Results and efficiency assessment of the export operations of PJSC GARMENT FACTORY "VORONIN" are evaluated.

Priority directions of improving the organization and planning of foreign trade operations of PJSC GARMENT FACTORY "VORONIN" are developed. Measures for PJSC GARMENT FACTORY "VORONIN" organizational structure optimization are substantiated. Mid-term forecast of export indicators of PJSC GARMENT FACTORY "VORONIN" are calculated.

Keywords: export strategy, foreign trade operations, efficiency, export assessment, environment.



**Kyiv National University of Trade and Economics**  
**International economic relations department**

**SUMMARY**  
**TO THE FINAL QUALIFYING PAPER**  
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**Kyiv 2018**

Final qualifying paper: 104 p., 8 fig., 25 tab., 5 appendices, 70 references

**The object of research** is the process of organisation and planning of company's foreign trade operations.

**The subject of research** is the ways, methods, mechanisms and techniques of improving organization and planning of foreign trade operations on PJSC GARMENT FACTORY «VORONIN».

**Enterprise, on the basis of which the final qualifying paper was completed** – PJSC GARMENT FACTORY «VORONIN».

**The purpose** of final qualifying paper is to define and analyze the company's foreign trade operations, their planning and organization based on the foreign economic activity of the private joint stock company GARMENT FACTORY «VORONIN».

**Methods of scientific research.** Writing the final qualifying paper, the following scientific methods were used: methods of analysis, synthesis, inductions, deductions, statistical methods and cognition methods of foreign trade operations organization and planning essence and principles the methods of mathematical analysis and situational modeling generally accepted in economic science.

**The introduction** substantiates the relevance and practical significance of the chosen topic; formed the purpose, task, object, subject of research; the theoretical and methodological basis of the research is revealed; the research methods that were used in the work are presented.

**In Part 1** theoretical and methodological research principals of organization and planning of company's foreign trade operations were studied. The essence and features of organization and planning of company's foreign trade operations were explained. Regulatory and legal framework of foreign trade operations control of the company was analysed. Methodological approaches for the assessment of the organization and planning efficiency of the company's foreign trade operations were studied.

**In Part 2** the analysis of business activity and foreign trade operations of PJSC GARMENT FACTORY «VORONIN» were carried out. Then the organizational structure of company's FEA department and export procedures were investigated. The efficiency of organization and planning of foreign trade operations within business activity of PJSC GARMENT FACTORY «VORONIN» was evaluated.

**In Part 3** ways for improving organization and planning of foreign trade operations of PJSC GARMENT FACTORY «VORONIN» were studied. The reserves for improving organization and planning of foreign trade operations of the company were defined. The optimization of organisational structure of foreign trade operations management of the company was proposed. The complex of measures aimed at strengthening company's positions on the foreign markets through using different marketing tools was described. Short and mid-term efficiency forecast of proposed measures for PJSC GARMENT FACTORY «VORONIN» was conducted.

**The conclusions and proposals** generalize all the research results and recommendations for the company.



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## INTRODUCTION

Foreign trade operations are not just for large enterprises. Many middle and small companies have benefited significantly from the moneymaking opportunities of exporting too. The number of foreign trade operations in the world economy is increasing as exporting has become easier. In terms of globalization and integration processes that take place in Ukrainian and world economies, and taking into account the attempt of Ukraine to strengthen its position as competitive entity in world economic relations it has become necessary to analyse the mechanism of company foreign trade operations improvement, in particular in light industry.

When starting its own foreign trade operations, the company may face the following issues:

- what are the opportunities and risks associated with exporting;
- how can companies improve their export performance;
- what information programs and government resources can help exporters;
- what are the basic steps in financing exporting, etc.

That is why, it becomes clear that the foreign economic activity manager should be aware of all the threats and challenges related to foreign trade operations organization and planning in order to make the company activity in this sphere not only successful but also profitable.

Among the foreign and domestic authors, who have investigated this topic, and also studied the issues related with organization and planning of company foreign trade operations in general, it is important to highlight Ansoff I. [2], Campbell J. Y. [23], Kovtun O. E. [28]. Wagner J. [22] Mazaraki A. A. [32], Grebelnyk O. P. [19] etc.

The research topicality. Having analysed the previous researches, conducted by scientists who studied the export potential and the methods of company foreign trade operations improvement, one can make a conclusion that the final

recommendations for improving the organization and planning mechanism of foreign trade operations were not provided. The scientists studied common problems of foreign economic activity management and in general did not pay special attention to the improvement of company's foreign trade operations organization and planning mechanisms.

So, taking the research and the foreign trade operation issues topicality into consideration and its significance in the theory and practice of foreign economic activity in general, the choice of research topic "Organization and planning of company's foreign trade operations" was determined.

The purpose of research is to define and analyse the company's foreign trade operations, their planning and organization based on the foreign economic activity of the private joint stock company GARMENT FACTORY «VORONIN».

According to the purpose of research, the following assignments were defined:

- to study the essence and features of foreign trade operations organisation and planning;
- to analyse regulatory and legal framework of foreign trade operations control of the company;
- to determine methodological approaches for the assessment of company's foreign trade operations efficiency;
- to conduct the analysis of business activity and foreign trade operations of the company;
- to evaluate efficiency of foreign trade operations of PJSC GARMENT FACTORY «VORONIN»;
- to define reserves for improving organization and planning of foreign trade operations of the company;
- to study ways of organisational structure optimization of the company;
- to conduct short and mid-term efficiency forecast of proposed measures for PJSC GARMENT FACTORY «VORONIN».

The object of research is the process of organization and planning of company's foreign trade operations.

The subject of research is the ways, methods, mechanisms and techniques of improving organization and planning of foreign trade operations on PJSC GARMENT FACTORY «VORONIN».

Research methods. Methods of analysis, synthesis, inductions, deductions, statistical methods and cognition methods of foreign trade operations organization and planning essence and principles the methods of mathematical analysis and situational modelling generally accepted in economic science.

The data sources of research are materials of the state statistical accounting, legislative and normative acts on economic questions, special scientific literature about the problems of theory and practice of foreign trade operations in the company and documents, provided by PJSC GARMENT FACTORY «VORONIN».

The novelty of research lies in deep theoretical and methodological provisions for the analysis of capabilities for developing organization and planning of foreign trade operations of PJSC GARMENT FACTORY «VORONIN» to ensure its efficient foreign economic activity.

The theoretical value of the research is determined by its contribution to general theory of foreign economic activity management, and its results supplement the scientific knowledge about the organization and planning of company foreign trade operations.

The practical value. The research results may be used by the managers of the company while planning and organizing foreign trade operations of the company, as well as by the students of similar specializations as a pattern for future scientific researches in the field of foreign economic activity management.

The final qualifying paper consists of theoretical and practical issues of foreign trade operations efficiency analysis and assessment. In the last part of the paper, the directions for improvement organization and planning of foreign trade operations on PJSC GARMENT FACTORY «VORONIN» were proposed.



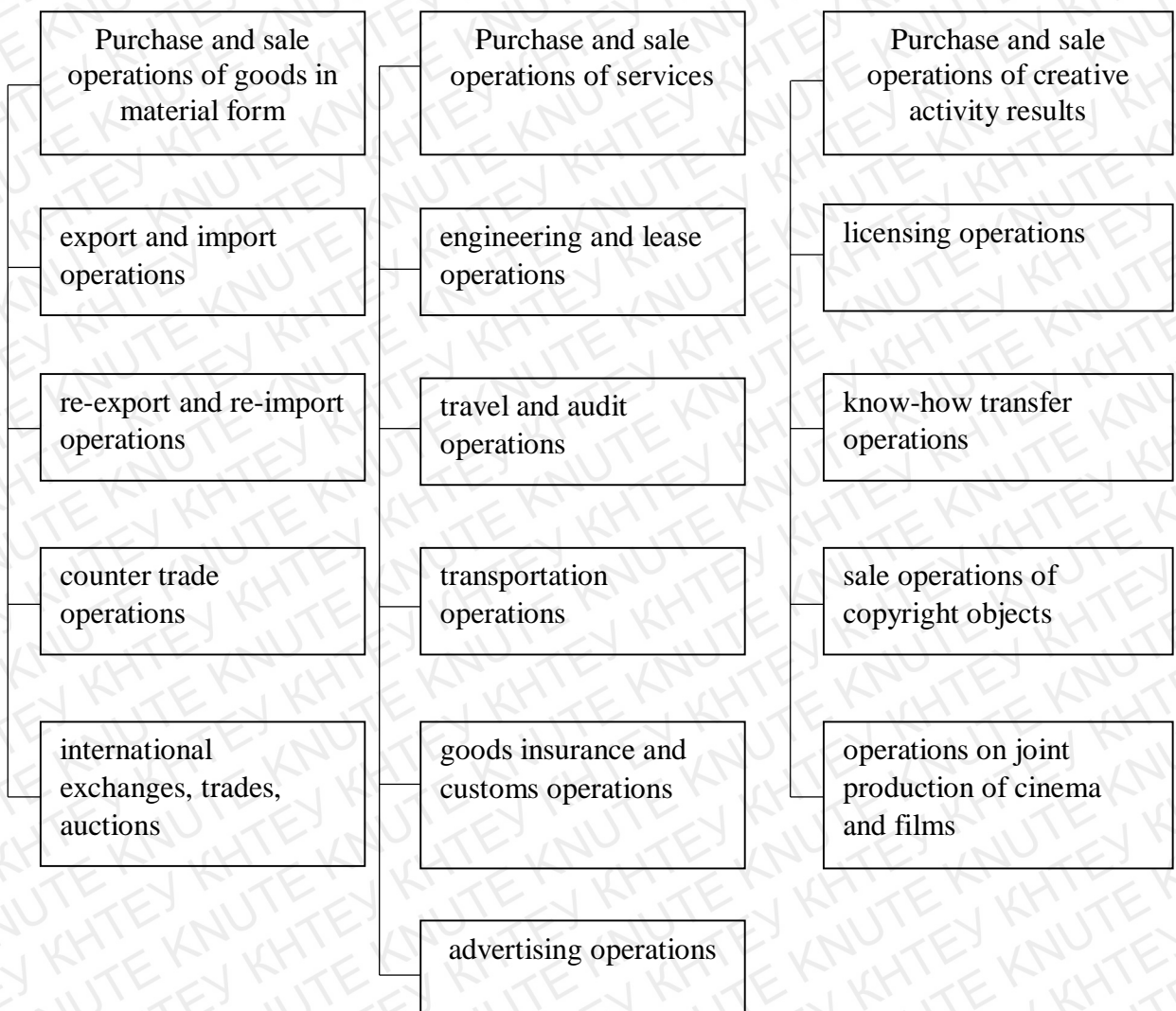


**PART 1**

**THEORETICAL AND METHODOLOGICAL RESEARCH PRINCIPLES  
OF ORGANIZATION AND PLANNING OF COMPANY'S FOREIGN  
TRADE OPERATIONS**

**1.1. The Essence and Features of Organization and Planning of  
Company's Foreign Trade Operations**

The majority of all international commercial transactions are foreign trade operations. Foreign trade operations - are transactions, the essence of which is the international exchange (trade) of products in material form (Figure 1.1.1).



### Figure 1.1.1. Division of Foreign Trade Operations

Source: constructed by the author on the basis of studied literature [64].

In foreign economic activity, companies usually use the above operations in combination. It means that to carry out some operations, it is necessary to carry out other operations, without which the foreign economic activity of the company becomes impossible. In this paper, in particular a combination of purchase and sale operations of goods in material form and purchase and sale operations of services that provide the process of goods transfer will be considered.

In order to carry out foreign trade operations in the company effectively, the management of the organization, together with the manager of foreign economic activity, performs a series of actions, both in the internal and external environment of the company [1, p. 12].

Internal measures of the company include:

- assessment of own export opportunities (production potential, availability of raw materials, skill level of workers);
- analysis of what structural changes should be made in the organization;
- opening an account in a bank;
- development of measures that would ensure the competitiveness of the goods;
- creation of a data bank for the product, partners, competitors in the company [1, p. 13].

External measures of the company are as follows:

1. Market selection and its study. At this stage, one studies:

- political conditions with the counterparty country. It is inappropriate to seek the possibility of contracting with a partner from a country with which your country has a tense political relationship. In addition, there are several countries on which the world community imposed the trade embargo. This should also be taken into account;



- capacity of the commodity market. The study of market capacity, where the firm strives to export its goods, is one of the first requirements of marketing research. Required information is obtained from statistics of the country, customs authorities etc.
- commodity market conditions. The observation of conditions makes it possible to determine fluctuations and the most favourable conditions for sale and purchase, methods of foreign trade operations, time of entry into the market and place.
- trade and political conditions - studying the amount of duty and additional customs duties.
- transport conditions. Conditions of transportation affect the price of goods, so one needs to study them carefully. This is for instance the availability of direct flights; tariffs for linear shipping; freight delivery; railway tariffs; degree of mechanization of loading and unloading works; the cost of transshipment and cargo storage; port dues rates; rules and special conditions of transportation; the rules of delivery and acceptance of cargoes.
- payment and credit terms. It is very important to be acquainted with the forms of payment (letters of credit and collection), which are most often used in export trade. To do this, one should determine the appropriateness of the loan, its form, cost, terms, find out the receipt of a payment in advance by the exporter. It is also necessary to know about the creditworthiness of potential counterparties [2, p. 53].
- legal issues. Of great importance is the study of the legislation on the implementation of trade operations, including insurance and commercial justice, laws governing the legal status and activities of foreign firms, protection of industrial property, patenting of inventions, registration of trademarks, arbitration, etc.
- specific market requirements. Different countries have special requirements for the nomenclature, assortment of goods, and their quality. They are explained by geographical, climatic conditions, traditions, taste. For example,

when exporting electrical products, one takes into account the voltage, when exporting cars - the movement (right or left), with the export of agricultural machines - topography of the area. All these features should be taken into account when concluding contracts [66, p. 61].

➤ channels and sales methods. Exporters study commodity network in the country of sale, the role of wholesale and retail firms, the role of intermediaries. Particularly diligent the activities of competing firms are studied, the organization of their goods sales, agency network, salesman staff. Methods and techniques of sales, contractual practice, norms of service, advertising are studied as well [52, p. 13].

2. The choice of the counterparty. Once the market is selected, one must choose a counterpart, i.e. a company [5, p. 137].

After a company is selected, negotiations begin. The parties in the foreign trade operation can enter into contact with each other in different ways. However, the most commonly accepted is the following order of interaction with partners:

- 1) preliminary statement of proposals and wishes, which is usually done in writing;
- 2) clarification and verification of certain positions of the agreement may be carried out by a faster communication method, in particular with the use of the telephone;
- 3) final settlement of all agreement conditions in the process of a special meeting of the parties [5, p. 141].

Negotiations can be started both by the seller and the buyer by sending the relevant commercial documents [23, p. 72]:

- Offer - the seller's offer to the buyer for the implementation of the foreign trade operation.
- Solid offer - a proposal sent to only one potential buyer for a given consignment with an indication of the term during which the seller is bound by his offer and cannot make a similar offer to another buyer.

➤ Free offer - is made simultaneously for one and the same lot of goods for several possible buyers.

One of the essential part of any foreign trade operation is the settlement procedure, which has several forms. Settlement form is the way of registration, passing and payment of commodity orders and payment documents, executed through the bank. It is formed in international commercial and banking practice and settled by the legislation of the participating country [7, p. 15]. Companies in their foreign economic activity use four main forms of settlements, represented in the table below (Table 1.1.2).

Table 1.1.2

Settlement Forms in Foreign Trade Operations

Forms of settlements	Main principles
Advance payment	Advance payment involves the passing by the buyer to the seller of a monetary amount or property value (raw materials, supplies, required for the manufacture of the ordered goods, etc.) prior to shipment of goods (sometimes even before the execution of a foreign trade contract) ensuring the performance of contractual obligations. Advance payments are, as a rule, 10-30% of the cost of a foreign trade contract.
Bank transfer	Bank transfer mean that the buyer gives instructions to the bank serving him, to transfer a certain amount of money to another country and to pay the recipient this amount. Bank transfer payment may be subject to certain conditions. These conditions are stipulated in the contract and, accordingly, in the payment order of the bank.
A letter of credit	Letter of credit is a contract signed in a formalized form in which the bank that opens the letter of credit (the issuing bank) takes responsibility for executing, at the order and at the expense of the buyer, the payment of the amount specified therein to a third party (the beneficiary) (in cash settlements) or to accept the expense (when settling by the loan) against the seller's submission of the documents provided in the foreign trade contract, which confirm the delivery of the goods in accordance with the foreign trade contract conditions.
Collection	Collection assumes that the seller sends to the bank, in which his account is opened, a collection order with a set of documents stipulated in the contract and entrusts this remitting bank with the



	correspondent bank, which has the account of the buyer (collecting bank), to accomplish payment or acceptance of bills against the documents, listed in the order, with the condition that the submission of documents to the buyer will be made by the collecting (representing) bank only after the said payment or acceptance
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Source: constructed by the author on the basis of studied literature [7].

International settlement related to export and import of goods, services and other commercial transactions are carried out only through authorized banks, that are, commercial banks of Ukraine licensed by the National Bank of Ukraine for foreign exchange transactions. International settlement for commercial agreements are carried out by authorized banks of Ukraine, as a rule, in freely convertible currency, as well as in currencies with limited convertibility and payment currency of clearing accounts in accordance with the terms of international and interbank transactions [10, p. 173].

Organizational issues of foreign trade operations of the company are clear and simple for non-specialists. However, skilled workers know well how many profitable foreign economic projects have not been realized due to so-called trifles. Among such "trifles" are mistakes in the choice of the international business type, the underestimation of various state regulation forms of foreign economic activity, the unclear distribution of functional responsibilities among employees of foreign trade firms, a wrong interpretation of procedures for the implementation of foreign trade operations, etc. The fact is that at the end, foreign trade operations are carried out by company's officials of different countries, where the culture of management has significant differences, despite the external similarity. In the world, some traditions in solving organizational issues are long established. These traditions also need to be considered by the young independent states, which have some distrust from the international business [22, p. 12].

While entering international markets, each company must select first the most appropriate type of foreign economic activity.

Under current conditions, planning of foreign trade operations of the company is a complicated, labour-intensive, multi-stage process. The main task of

planning foreign trade operations is to choose the correct export/import strategy of the company in order to prevent possible adverse effects of external factors [24, p. 403]. As the foreign economic operations of the investigated company are concentrated on the export of finished goods, so the export planning strategies of foreign trade operations will be considered.

Export strategy is a detailed complex comprehensive plan of export activity or operations of the company, designed to ensure the competitiveness of its products on international markets and to achieve certain strategic goals. According to the definition of Canadian scientist G. Mintzberg [33], the strategy is, firstly, the plan / order of action, as well as the perspective, the future state to which one must strive.

The task of the manager in the creation and implementation of the export strategy of the company consists of five interrelated parts [4, p. 43]:

- 1) formation of strategic directions of foreign trade operations development of the company;
- 2) transformation of common goals into specific directions of work;
- 3) qualified implementation of the chosen plan to achieve the desired results;
- 4) effective implementation of the chosen strategy;
- 5) results assessment of the strategy implementation, analysis of situations in the foreign market, introduction of adjustments to the long-term goals, strategy or its implementation (taking into account new conditions, ideas or opportunities of the company).

Determining specific goals helps to move from the general direction of company development to individual work plans that can help achieve success. The strategy identifies with which means, methods and tools it is planned to achieve these goals. When forming a strategy, the goal must [27]:

- be clearly defined and understandable to the performers;
- be measurable;
- have timelines;

- motivate the performer's actions;
- be consistent with the general objectives of the organization and the group of performers;
- be formalized.

Most companies solving strategic planning tasks fulfil the stage of aim formulation and selection of factors influencing its achievement, based on the data presented by previous marketing researches. From this, it becomes obvious that the low quality of marketing research can affect the whole result of the strategic planning, so special attention should be paid to the problem of increasing the probability of its results [57, p. 21].

Any strategy of the company (general, functional or operational), as a rule, consists of: 1) thoughtful targeted actions, and 2) reactions to unforeseen developments and to the intensification of competition. In the scientific papers of the doctor of economic sciences, professor I. I. Dakhno [10, p. 206], the following export strategies are singled out:

- The strategy of internationalization is the development of new, foreign markets, using not only the expansion of goods export, but also the export of capital, when abroad companies, factories and plants are created producing on the ground, in the former importing countries of goods, bypassing the restrictive trade barriers and taking advantage of cheap labour and rich local raw materials;
- The strategy of diversification is the development of the production of new products, commodity markets, as well as types of services, including not just the diversification of product groups, but also the expansion of entrepreneurial activity to new regions not related to the main activities of the company.
- The segmentation strategy is a deepening of the saturation degree with the offered goods and services of all consumer groups, the choice of the maximum depth of market demand, the study of its small shades.
- The strategy of market activity expansion of the company includes the fourth dimension of market actions - the rhythm (tempo, speed) of these processes. The directions of business activity expansion of the company in the foreign market



are determined by the way on which market (old or new) it operates and with what product (old or new) it goes to this market.

- The deep penetration strategy will be most effective on the unsaturated market. In this case, the company reduces the costs of producing an export product and sells at a price lower than its competitors [10, p. 207];
- The market development strategy implies an increase in the sales of existing goods on new foreign markets or new segments of the existing market;
- The product development strategy is best suited for a company that already has a number of successful brands. Its essence is to create new product modifications for existing markets. This, for example, may be a product with useful properties of the old product, but cheaper;
- Diversification is used to ensure that the company is not too dependent on a single market or product group;
- Demand formation strategies are applied at the stages of introduction and submission of new products on the market. As part of this strategy, all types of marketing communications are aimed at finding ideas for a new product, bringing it to a new market, informing potential buyers about a new product;
- Sales promotion strategies are relevant at the stages of maturity and decline of the product, in the conditions of market saturation, the intensification of competition for consumers. As part of this strategy, all known communication marketing activities are applied [10, p. 208].

There are four basic types of competitive strategies: violent, patient (niche), commuting (adaptive), exploratory (pioneer) [56, p. 51]:

Violent strategy is typical for companies operating in the field of large, standard production of goods. This is a fairly simple strategy: based on its gigantic power, the company tries to dominate the big market, possibly squeezing out its competitors.

Patient (niche) strategy is typical for companies that have chosen the way of narrow specialization. It involves the production of special, unusual products for a certain narrow circle of consumers. The market power of patient companies is that

their products become indispensable for the respective customer group. This strategy is used by small and medium-sized companies that try to avoid direct competition with leading corporations;

The commuting (adaptive) strategy prevails in normal business on a local scale. The strength of a small, non-specialized company lies in its improved suitability to meet the small volume or short-term needs of a particular client. Commuting companies act as a connecting fibre of the economy. Increased flexibility is the source of power of commuting companies in a competitive struggle.

The exploratory (pioneer) strategy is associated with the creation of new or radical transformations of the old market segments. This is a very risky search for revolutionary solutions. The power of the explorers is the advance over competitors in the implementation of fundamental innovations.

In the area of determining the optimal number of segments on the foreign market, there are alternative strategies [65]:

a) “ant” strategy - the gradual conquest of individual segments on individual markets, then the choice of an optimal segment, a slow creep from one segment to another to select their optimal number;

b) “butterfly” strategy - capturing the maximum number of segments, then refusal from less profitable in favour of more profitable. This strategy is appropriate for a relatively small life cycle of the product and the absence of market capturing barriers. Its main disadvantage is the need for large one-time expenditures of resources.

In the process of developing a pricing strategy for exports, the company defines target pricing, which should ensure the successful implementation of the export strategy. In a market economy, the price is one of the most important indicators, which significantly affects the financial condition of the company. Therefore, the objectives of pricing may be: maximizing current profits; maximizing the volume of export of products; conquering of leadership in the quality of products; expansion of the share of the external market, etc. [29, p. 318].

Summarizing all of the above-mentioned export strategies, it should be noted that the strategy is best viewed as a combination of planned actions and rapid adaptation decisions to new industry achievements and a new disposition in the field of competition.

## **1.2. Regulatory and Legal Framework of Foreign Trade Operations**

### **Control of the Company**

In the context of the large-scale development of the world economy and the expansion of Ukraine's integration into the world economic space, the issue of ensuring favourable conditions for the realization of foreign trade operations becomes of special urgency [17, p. 23].

The priority basis for creating such conditions is the presence of a favourable legislative field that regulates this area of legal relations and is characterized by signs of stability, co-ordination of its legal norms. And this, of course, positively affects the state of organization and implementation of foreign trade operations, and hence - the prestige of our state in foreign economic relations with others. In turn, the imperfection of the legal framework negatively affects the development of foreign economic relations of our state, leads to the creation of additional opportunities for uncontrolled export of extremely scarce resources and their sale on the world market at dumped prices.

The regulation of foreign trade operations is carried out to ensure the balance of the economy and the balance of the domestic market of Ukraine, stimulate progressive structural changes in the economy and create the most favourable conditions for attracting the economy of our state to the system of the world division of labour and bringing it closer to the market structures of the developed countries of the world [29, p. 312].

In addition, the role of legal regulation of foreign trade operations, foremost, lies in support of the national industries by the state, because in the face of severe competition from imported goods, the rise and functioning of national production



becomes impossible. Each country regulates foreign trade operations, which depends on the foreign economic policy of the state, which in turn regulates economic relations with other states, and also plays a prominent role in attracting foreign investments into the national economy, first of all in production [29, p. 315].

When considering the importance of legal regulation of this sphere, one should bear in mind that even more the effect of foreign economic activity will be when national legislation of Ukraine will be properly harmonized with the international legal system, and in some cases also with the legal systems of those states with which we are in the closest relationship. In this very context, it is actual issue for our country, because while joining the European Union, the question of the national legislation harmonization with the international legal acts based on which this international structure operates arose.

Therefore, today the issue of legal regulation of foreign trade operations in Ukraine becomes of special significance.

Many researches are devoted to the legal issues of foreign trade operations regulation in Ukraine. Thus, the main tools of state regulation of foreign trade operations are analysed in detail by Bilozubenko V. [5], the legal basis for the implementation of business operations with foreign counterparties is defined by Dahno I. [10], Kozak U. [29], Mazaraki A. [32].

During the years of independence in Ukraine, the basic regulatory and legal framework for the performance of foreign trade operations was created and a system of its regulation was established to ensure proper legal regulation of foreign economic relations.

Legal regulation of foreign economic activity in Ukraine is carried out by passing laws and legislative acts by the Verkhovna Rada of Ukraine, regulations of the Government, decrees of the President of Ukraine, etc. Laws, legislative and regulatory acts define subjects, objects, principles and functions of regulation of one or another type of activity, responsibility of legal entities and individuals [5, p. 247].



Regulatory and legal control of foreign trade operations is carried out by a number of economic legislation acts of the general sphere of action and special legislation on foreign economic activity.

The principal structure of the institutions that manage the foreign economic sphere, both in industrialized countries and in developing countries, is approximately the same. It usually consists of:

- Cabinet of Ministers
- Ministry of Foreign Trade or Foreign Economic Relations,
- Customs authorities.
- Central Bank,
- Central Statistical Office (Ministry),
- Ministry of Foreign Affairs,
- tax departments.

Taking into account the legal force of regulatory and legal acts, the system of legislation on foreign economic activity can be represented as follows (Figure 1.2.1):

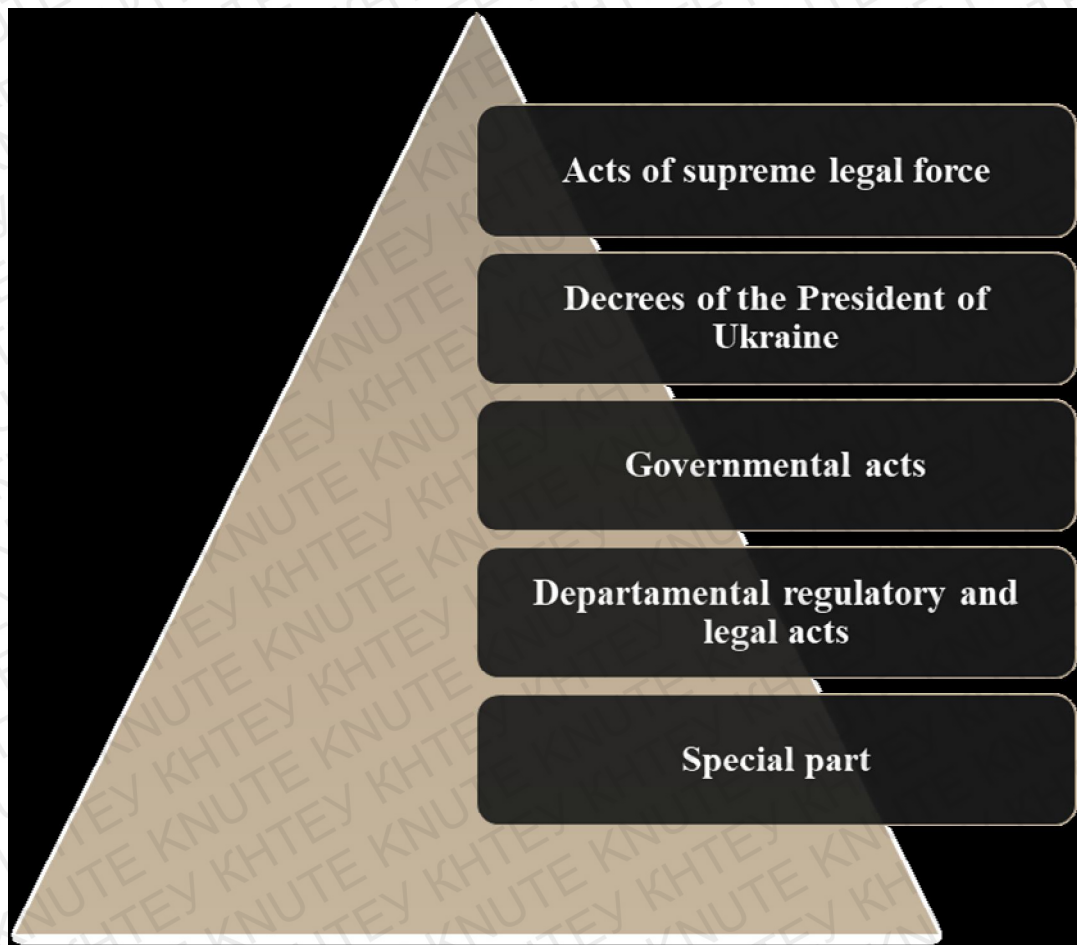


Figure 1.2.1. System of Legislation on FEA

Source: constructed by the author on the basis of studied literature [29].

Acts of supreme legal force:

1. The Constitution of Ukraine [62] provides the definition of the principles of foreign economic activity exclusively by the law – sub-section 9, article 92; and the assignment of the Cabinet of Ministers of Ukraine as such authority responsible for organization and ensuring the implementation of foreign economic activity of Ukraine, customs affairs – sub-section 8, article. 116
2. Economic Code of Ukraine [12], which was put into effect on 1 January 2004, plays an important role in the regulation of foreign trade operations. The Code contains general provisions of the legal regulation of foreign economic relations, which are enshrined in the relevant section VII of the Economic Code of Ukraine.
3. Law of Ukraine “On Foreign Economic Activity” dated 10 November 2018 [40] is an act of small codification specifically devoted to the regulation of

foreign economic activity. It defines the principles of foreign economic activity, the circle of its subjects, determines the types of foreign economic activity, establishes the basis for its regulation, as well as provides the establishment of special legal regimes of foreign economic activity and contains norms regarding the responsibility of foreign economic activity participants and protection of their rights and interests. By adopting this Law, the legislator determined one of its main objectives to introduce legal regulation of all types of foreign trade activities in Ukraine, including foreign trade, economic, scientific and technical cooperation, specialization and cooperation in the field of production, science and technology, economic relations in construction, transport, forwarding, insurance, settlement, credit and other banking operations, and the provision of various services as well.

4. Customs Code of Ukraine dated 10 October 2018 [9] and the Law of Ukraine dated 19 August 2013 “On the Customs Tariff of Ukraine” [45] regulate the relations connected with the crossing of the customs border of Ukraine and the payment of customs duties.

5. Law defining the conditions for the operation of international treaties in Ukraine – “On international agreements of Ukraine” dated 20 July 2014 [43].

6. The Law of Ukraine dated 1 January 2016. “On Chambers of Commerce and Industry in Ukraine” [39] defines the legal status of these organizations. It includes their power in the foreign economic activity field: to carry out the declaration of foreign trade cargoes provided by the law; to carry out an examination, quality, quantity, completeness control of goods and determine their value at the request of Ukrainian and foreign entrepreneurs; organize international exhibitions, national exhibitions of foreign states and individual foreign companies, ensure preparation and conducting of exhibitions of Ukrainian goods in Ukraine, abroad, etc.

7. Act of the Verkhovna Rada of Ukraine dated 19 December 1992 “On ratification of the Agreement on the procedure for resolving disputes related to the conduct of economic activities” [44].

Decrees of the President of Ukraine include:



1. “On the State Service regulations for Export Control in Ukraine” dated 22 May 2018, № 159-2015П [50];

2. “On the procedure for the protection of the rights and interests of Ukraine in consideration of cases in foreign jurisdictional bodies” dated 24 February 2016 [49].

Governmental Acts include:

1. Directive of the Cabinet of Ministers of Ukraine dated 4 October 2018, “On the system of currency regulation and currency control” [51].

2. Resolution of the Cabinet of Ministers of Ukraine dated 12 March 2016, № 229-96-П “On approval of the regulation on the procedure for issuing individual licenses for the realization of property investments outside Ukraine by residents and regulation on the control and reporting procedure of the property valuables use, invested outside Ukraine” [37].

3. Resolution of the Cabinet of Ministers of Ukraine dated 26 December 2012, № 756 "On certain issues of barter transactions regulation in the field of foreign economic activity" (with subsequent changes) [38].

4. The List of goods (works, services), the export of which is prohibited in barter (commodity exchange) operations; The List of goods (works, services), the import of which is prohibited in barter (commodity exchange) operations; The List of highly liquid products, in case of their export, according to the barter contract, the term of import into the customs territory of Ukraine of imported goods shall not exceed 60 calendar days from the date of registration of the export cargo customs declaration: approved by Resolution of the Cabinet of Ministers of Ukraine dated 29 April 1999, № 756 (as amended by the resolution of the CMU dated 11 October 2002, №1493) [30].

5. Resolution of the Cabinet of Ministers of Ukraine dated 4 April 2001, № 327 “On the unified state register of international organizations of which Ukraine is a member” [52].

6. Resolution of the Cabinet of Ministers of Ukraine dated 9 December 2015, № 1029 “On approval of the procedure for verifying certificates of goods origin from Ukraine” [36].

7. Resolution of the Cabinet of Ministers of Ukraine dated 21 May 2012, № 428 “On approval of the procedure for the Ukrainian classification of goods of foreign economic activity” [35].

8. Resolution of the Cabinet of Ministers of Ukraine dated 1 January 2004, № 1865 “On the procedure for the conducting of special customs statistics” [47].

9. The List of offshore zones: Resolution of the Cabinet of Ministers of Ukraine dated 23 February 2011, № 77-r [63].

10. Joint resolution of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine: "On forty recommendations of the Financial Action Task Force on fighting money laundering (FATF)" № 1124 dated 20 April 2004 [41];

Departmental regulatory and legal acts consist of:

1. Decree on the form of foreign economic agreements (contracts), approved by the order of Ministry of Economy dated 13 August 2013 [46].

2. Instruction on the procedure for the opening, use and closing of accounts in national and foreign currency, approved by the Resolution of the Board of the National Bank of Ukraine dated 21 December 2017 etc. [48].

Special legislation on FEA consists of legislative acts of varying legal force, devoted to regulating this activity (including its separate aspects) and certain norms contained in regulatory and legal acts of general scope or devoted to the regulation of other activities that may be combined with external economic (banking, insurance, joint investment, etc.).

Main regulatory and legal acts of special part include regulations on currency control approved by Board of the National Bank of Ukraine, Law of Ukraine “On Insurance” dated 27 September 2018 [42], Regulation on the procedure for contracts registration, which provide residents with execution of debt

obligations to non-residents for borrowed from non-residents loans, foreign currency loans – approved by the Resolution of the Board of the National Bank of Ukraine dated 22 December 1999, № 602 (with subsequent amendments and additions).

The given above system is not a complete list of all the laws applied during foreign trade operations of the company, since from the getting independency in Ukraine there were adopted more than 400 regulatory and legal acts of different juridical power. This is the attempt to make brief and understandable picture of how the official legislation system works in Ukraine [29, p. 420].

It should be noted that foreign economic agreements are concluded in accordance with the legislation of Ukraine, international agreements, international conventions, recommendations of international bodies and organizations, unless prohibited directly or in an exclusive form by the legislation of Ukraine.

The foreign economic agreement shall be in writing, unless otherwise provided by law or an international treaty of Ukraine.

For the conclusion of a foreign economic agreement, permission of the authorities and the supreme organization is not required, except in cases specifically stipulated by the legislation. Any foreign economic contracts may be concluded, except directly and in the exclusive form prohibited by the legislation of Ukraine.

The foreign economic agreement may be declared ineffective in a court or arbitration procedure if it is in conflict with the OC and its international treaties.

Consequently, the study of the current legislation in the field of foreign economic activity regulation, namely foreign trade operations, and literary sources on this topic allows us also to classify the regulatory and legal acts regulating foreign economic activity for [53]:

- 1) legal force: the constitution; constitutional laws; international treaties; laws, etc .;
- 2) according to the body which accepts them: acts of the Verkhovna Rada of Ukraine (laws, subordinate regulatory and legal acts); acts of the Cabinet



of Ministers of Ukraine (resolutions); acts of ministries (orders, directions); Acts of the President of Ukraine (decrees); acts of local self-government (orders, directions); acts of other state bodies, etc .;

3) by the legal form of expression: the constitution; code.

It should also be said that some other central authorities have certain powers in the field of foreign economic activity. Local government bodies of foreign economic activity include local councils of people's deputies of Ukraine and their executive and regulatory bodies, as well as territorial subdivisions (divisions) of state regulation bodies of foreign economic activity of Ukraine. Their competence is determined by the Law of Ukraine "On Foreign Economic Activity" and other current legislation [5, p. 238].

The conducted research of regulatory and legal framework allows makes the following conclusions. The policy of creating a legal framework for foreign economic activities should take into account the efforts of our country to integrate into the world social and economic space and the need to increase the stability and favourable domestic legislation for the development of appropriate relations. It is not about the need to neglect national interests in this process, but about the need to build a stable, well-thought-out, harmonized regulatory and legal framework for the regulation of foreign trade operations.

### **1.3. Methodological Approaches for the Assessment of the Organization and Planning Efficiency of the Company's Foreign Trade Operations.**

An obligatory condition for decision making of conducting foreign economic activity is its efficiency, which is determined by comparing the achieved economic result with the expenses incurred by the company to obtain such a result. At the stage of planning the entering external markets, determining the level of efficiency determines the degree of interest of the company in entering specific markets for the purchase or sale of certain goods (services). At the stage of direct

foreign economic activity, the indicators of its efficiency make it possible to identify negative trends that serve as an indicator for making certain managerial decisions on the need to eliminate negative factors, and in case of impossibility to eliminate them, to refuse such activity [68].

Foreign trade operations of any company make an overall picture of how effective the business activity on the foreign markets is and thus influence general figures of foreign economic activity of the company. Therefore, it becomes obvious that to make an appropriate assessment of organization and planning efficiency one should make an analysis of foreign economic activity indicators, which will ensure the maximum accuracy in such an assessment [57, p. 27].

Problems of increasing the efficiency of company foreign economic activity have always been the focus of attention of both domestic and foreign scientists. The mentioned problems are dealt with by such researchers as Vičević A. [67], Anisoff I. [2], Greenway D. [18], Philip J. Rosson [24], Butynets F. [6], Wagner J. [68], Sousa C. [58] and others. However, after analysing the works of scientists one can state that there are differences in opinions of both in relation to the process of analytical research and in relation to the methodology of generalization of the obtained results.

In modern scientific literature, there are different opinions about the classification of indicators, by which one can determine the efficiency of foreign economic activity. Since the activity of the investigated company is related to export activity, then the indicators of export efficiency will be investigated further. So, Vičević A. M. [67, p. 50] and Butynets F. F. [6, p. 411] believe that the indicators of efficiency include: currency efficiency of exports; average duration of export turnover; coefficient of returns from export operations; export efficiency.

Grebelnyk O. P. divides performance indicators into two large groups. In the first group, the researcher includes the indicators that characterize the absolute value of the economic effect and are calculated as the difference between the result and costs, as well as the comparative performance indicators, which are calculated as the ratio of the result to the cost of the foreign economic contract option. The

second group includes indicators characterizing expediency of the company participation in foreign economic relations: indicators of local efficiency, which are calculated using current domestic prices; indicators of general economic efficiency, which are calculated on the basis of settlement prices [19, p. 82].

Despite the differences in the views on the classification of the indicators system, most authors believe that the efficiency of foreign economic activity must be analysed separately in the direction of such activities, and then determine the overall effect.

The main criterion for assessing the efficiency of foreign economic activity of the company is the maximum obtaining of net income from export operations [31, p. 85]. According to this criterion, it is necessary to choose the best variants of cooperation with foreign trade partners. Quantitative assessment of this criterion is carried out on the basis of comparison of the cumulative effect of various options of foreign economic cooperation of the company and the total costs associated with its implementation.

The most important problem is that the assessment of the foreign economic activity efficiency of economic entities involves the profitability calculation of foreign economic transactions and operations, as well as the profitability and efficiency of the total foreign economic activity of individual natural and legal persons - subjects of foreign economic activity, which in practice requires the development of specialized indicators, which would objectively reflect the state of the company [13].

The generalization of modern views on the analysis of the efficiency of FEA made it possible to develop a structural and logical scheme for determining the relevant factors, which includes two groups of performance indicators, namely:

- export efficiency indicators;
- indicators of the foreign economic activity efficiency.

To determine the efficiency of the export business of an company it is necessary to know its currency efficiency.



The indicator of export currency efficiency (ECE) primarily characterizes the purchasing power of the currency, its rate. It is calculated as the ratio of the sum of products of the currency price of the exported goods (CPEG) and the volume of goods export (VGE) to the sum of products of the production and sale costs of the unit of the good (PSCUG) and the volume of goods export (VGE) [19, p. 90]:

$$ECE = \frac{\sum_{i=1}^n CPEG \times VGE}{\sum_{i=1}^n PSCUG \times VGE} \quad (1.3.1)$$

It should be noted that the indicator itself does not indicate the efficiency or inefficiency of export and obtained values need to be compared with a certain base. Such a base of comparison, as a rule, is the exchange rate. If the exchange rate of export efficiency exceeds the value of the reverse currency exchange rate (dollar is divided into hryvnia), then this activity is considered effective.

The export efficiency indicator (EE) (also referred to in the economic literature as "the export efficiency of the budget") is determined by the ratio of the net revenue in foreign currency for the goods sold, converted into hryvnias at the official exchange rate on the date of receipt of currency earnings (NPCIH), to the export value in the internal prices (EVIP) [19, p. 91]:

$$EE = \frac{NPCIH}{EVIP} \quad (1.3.2)$$

Net revenue is determined by deducting from the export revenues the costs associated with the customs clearance and the additional costs incurred by the exporter (fees for the license, commission to intermediary, transport, warehouse, etc.).

The value of the indicator more than 1 is considered as positive, and shows the fact that the sale of goods in the foreign market will be more profitable than inside the country.

The indicator of the export economic effect (EEE) is calculated by deducting from net revenue in foreign currency for the goods sold, converted into hryvnias at

the official exchange rate on the day of receipt of currency earnings (NPCIH), the sum of the total expenses of the company for products export (TEPE) [19, p. 92]:

$$EEE = NPCIH - TEPE$$

In essence, this indicator is the company's profit from export activities before taxation, respectively, the more its value, the more efficient the export activity.

In order to determine the dynamics of sales efficiency in the reporting period, the above indicators of export efficiency should be compared with similar indicators for the previous period.

To determine the economic efficiency of export activity at the company level, we propose to calculate three indicators of economic efficiency.

Indicator (EEA1) is calculated by dividing the amount of net revenue in foreign currency for the goods sold, converted into hryvnias at the official exchange rate on the day of the receipt of currency earnings (NPCIH) by the sum of the total expenses of the company for products export (TEPE) [19, p. 93]:

$$EEA1 = \frac{NPCIH}{TEPE} \quad (1.3.4)$$

It shows the amount of hryvnia income from the sale of export goods, which falls on each hryvnia spent by the company. Value greater than 1 is supposed to be acceptable.

Indicator (EEA2) defines the profitability of products sales on the domestic market and is calculated as the ratio of the export value in domestic prices (EVDP) to the production cost of export goods (PCEG) [19, p. 94]:

$$EEA2 = \frac{EVDP}{PCEG} \quad (1.3.5)$$

Export of the corresponding goods is profitable for the company, provided that  $EEA1 > 1$ , and also when the profitability of export sales on the foreign market exceeds the profitability of the sale of the same products on the domestic market -  $EEA1 > EEA2$ .



Indicator (EEA3) serves to determine the efficiency of the production assets use during export and is calculated as the product of the export net revenue coefficient and the coefficient of assets turnover:

$$EEA3 = \frac{NPCIH - TEPE}{NPCIH} \times 100\% \times \frac{NPCIH}{AA} \quad (1.3.6)$$

This indicator shows the level of asset utilization efficiency, with the first part of the formula indicating which percentage of the export results of the company makes profit from export, while the second part of the formula determines how many times the export-backed capital could turn during investigated period. Thus, the larger the two parts of the formula, the greater the value of the indicator and the more favourable export of these goods.

The indicator of the economic efficiency of foreign trade operations (EEFTO) is included to the group of profitability indicators and is calculated by dividing the profit from foreign trade operations (PFTO) by the expenses of the company during their implementation (EDI). Accordingly, an increase in this indicator will show an increase in the efficiency of foreign economic activity [19, p. 95]:

$$EEFTO = \frac{PFTO}{EDI} \quad (1.3.7)$$

Another way of assessing how effectively the activity on the company is organized is to carry the analysis of company competitiveness. Competitiveness is regarded as the key for success of any company. According to investigated scientific literature, the competitiveness is the capacity of a company to produce services or products that are acceptable to customers in terms of price and quality, and that occupy a statistically significant share of the market for that service or product [11].

Competitiveness has a broad and a changing definition depending on the school of thought and on the level of investigation carried out. There is, however, a widely held view that it is a complex concept, which incorporates a multitude of aspects. Assessment of competitiveness should therefore be undertaken based on



several components. However, it is not rare to find studies that calculate only one measure (e.g. export indices only, costs of production alone, productivity growth alone) despite evidence that competitiveness rankings may differ depending on the component measured. It would be better to measure several components and aggregate them into a single measure of competitiveness or cluster observations in groups on the basis of all components in order to get a more complete overview of competitiveness. However, in this case a delicate issue is how to weight each component of competitiveness for the aggregation [27].

Competitiveness at the company level implies the ability to make production at lower costs and higher quality. Therefore, the most important determinants of the competitiveness at the company level are quality, cost (such as labor costs and cost of capital) and the price levels.

Company competitiveness is the ability to combine resources and provide products and services as or more effectively and efficiently than the relevant competitors. Traditionally, the main measures of competitiveness are in financial or marketing terms. For example, a competitive business might be expected to achieve one or more of the following [29, p. 231]:

- a higher growth rate (sales, revenues) than competitors and the market as a whole;
- higher than average net profit (compared with others in the same industry);
- better than average returns on investment – again, compared with competitors;
- a high (and perhaps leading) market share – measured in either value or volume terms. The leading companies in a market usually enjoy a significant proportion of the available revenues or customer demand, unless the market is highly fragmented;
- the strongest brand reputation in the market, e.g. brand awareness;
- a clearly defined unique selling point that enables the business to differentiate its product or service in the eyes of customers;

➤ significant access to, or control of, distribution channels in the market (e.g. products or brands that are widely stocked or demanded by intermediaries who provide distribution to the final consumers).

Competitiveness of company provides advantage that the company has over its competitors. Competitive advantage means superior performance relative to other competitors in the same industry or superior performance relative to the industry average. There are two main types of competitive advantages (Table 1.3.8).

Table 1.3.8

Types of Competitive Advantages

Type	Description
Comparative	Comparative advantage, or cost advantage, is an company's ability to produce a good or service at a lower cost than its competitors, which gives the company the ability sell its goods or services at a lower price than its competition or to generate a larger margin on sales.
Differential	Differential advantage is created when an company's products or services differ from its competitors and are seen as better than a competitor's products by customers.

Source: constructed by the author on the basis of studied literature [29].

For greater effect of these advantages, they should be sustainable. Sustainable competitive advantage is a long-term competitive advantage that is not easily duplicable by the competitors. The sustainable competitive advantage is a long-term strategy or process that allows a business to remain ahead of its competitors.

For the sustainable competitive advantage, there are four criteria's:

- 1) customer benefits – the offering must be seen as something important to them;
- 2) unique – cannot be obtainable from any other company;
- 3) sustainable – difficult to copy because of patents and economies of scale (the more company produces the cheaper it becomes);
- 4) profitable – to offer a product or service with a price, cost and volume structure that makes it profitable (customer must be willing to pay for profit).

Thus, the competitive advantage that the company has over its competitors, allows it to generate greater sales or profits and retain more customers than its competition.

As a result of the research, it was established that in the scientific literature and in the practice of foreign economic activity management, there is no single method for their definition, which does not contribute to the formation of reliable and operational information support for making managerial decisions in the system of foreign economic activity. In order to overcome this disadvantage, first of all, calculation of indicators of foreign economic activity efficiency should be based on the following methodological provisions [17, p. 230]:

- 1) comprehensive accounting of all constituent elements of expenses and results of foreign economic activity in operational, statistical and accounting documents;
- 2) costs and results summing for matching to the same quantitative units of measurement and eliminating duplication of data;
- 3) discounting of different term expenses, revenues and results of foreign economic activity;
- 4) comparison of the current period data with the base period data for the current state assessment of the entity's foreign economic activity and the processing the proposals for improvement of the situation that occurred in the analysed period.



Moreover, one should conduct an analysis of company competitiveness and, accordingly, compare the results with other competitive companies on the present market in particular industry.

## **CONCLUSIONS TO PART 1**

During the research, the essence and features of organization and planning of foreign trade operations of the company were determined, namely, the types of foreign trade operations were defined, the main tasks and ways of organization of such operations were determined, the issue of their planning was considered, a number of strategies for foreign trade operations implementation by the company were proposed, and the choice of certain strategies for implementation of corresponding business activity on international markets was explained.

The regulatory and legal framework for of foreign trade operations control of the company was considered, namely, the legal basis for such operations was investigated, specific articles, excerpts from the laws, acts regulating the organization and implementation of foreign trade operations of the company were presented, as well as the legislative base on which foreign trade activity of the company should be based. During the consideration of this issue it was defined that there is a need to establish a stable, well-thought-out, harmonized regulatory framework for the regulation of foreign economic activity of the company, which requires the coordination of the domestic legislative framework of foreign economic activity with the relevant norms of legislation of other countries. The general system specifying legislation in the sphere of foreign economic activity was proposed in order to show the coordination between application of different laws in foreign trade operations.

The methodological basics for the study of the foreign economic activity efficiency of the company were formed. The indicators for the analysis of foreign economic activity of the company are proposed, the usage of which will be used to

create reliable and operational information support for making managerial decisions in the system of foreign economic activity. The issue of company competitiveness on the market is considered and it is shown that the results of competitiveness assessment should be compared between several companies of particular industry and on the same market.

## **PART 2**

### **ANALYSIS OF BUSINESS ACTIVITY AND FOREIGN TRADE OPERATIONS OF PJSC GARMENT FACTORY «VORONIN»**

#### **2.1. Analysis of Financial and Economic Activity of PJSC GARMNET FACORTY «VORONIN»**

Financial and economic analysis is a necessary and important component of each company activity. The main objective of such an analysis as an element of financial management is to give an objective assessment of the financial situation, financial performance, and the efficiency of the financial and economic activity of the company in order to make effective management decisions [13].

Provision of information for financial and economic analysis, as well as for financial management as a whole, includes legislative and regulatory documents, financial statements, financial statistics, and other data, including information on stock market conditions, interest rates, exchange rates, credit ratings, etc. The quality of the financial analysis, as well as the quality of the managerial decisions taken, largely depends on the quality and quantity of the input financial information, as well as on the qualifications of financial analysts and financial managers involved in financial analysis and planning [6, p. 142].

The main information sources for determining the financial position of a company and its financial results are the financial statements of the company, namely: statement of financial position, statement of comprehensive income, statement of owner's equity, statement of cash flow and other notes, comprising a summary of a significant accounting policies and other explanatory information.

Any financial and economic analysis consists of the following stages: financial results analysis of company activity (Tables 2.1.1 – 2.1.3); company's liquidity analysis (Table 2.1.4); financial sustainability analysis of the company (Table 2.1.5); profitability analysis of the company (Table 2.1.6); business activity analysis of the company (Table 2.1.7).

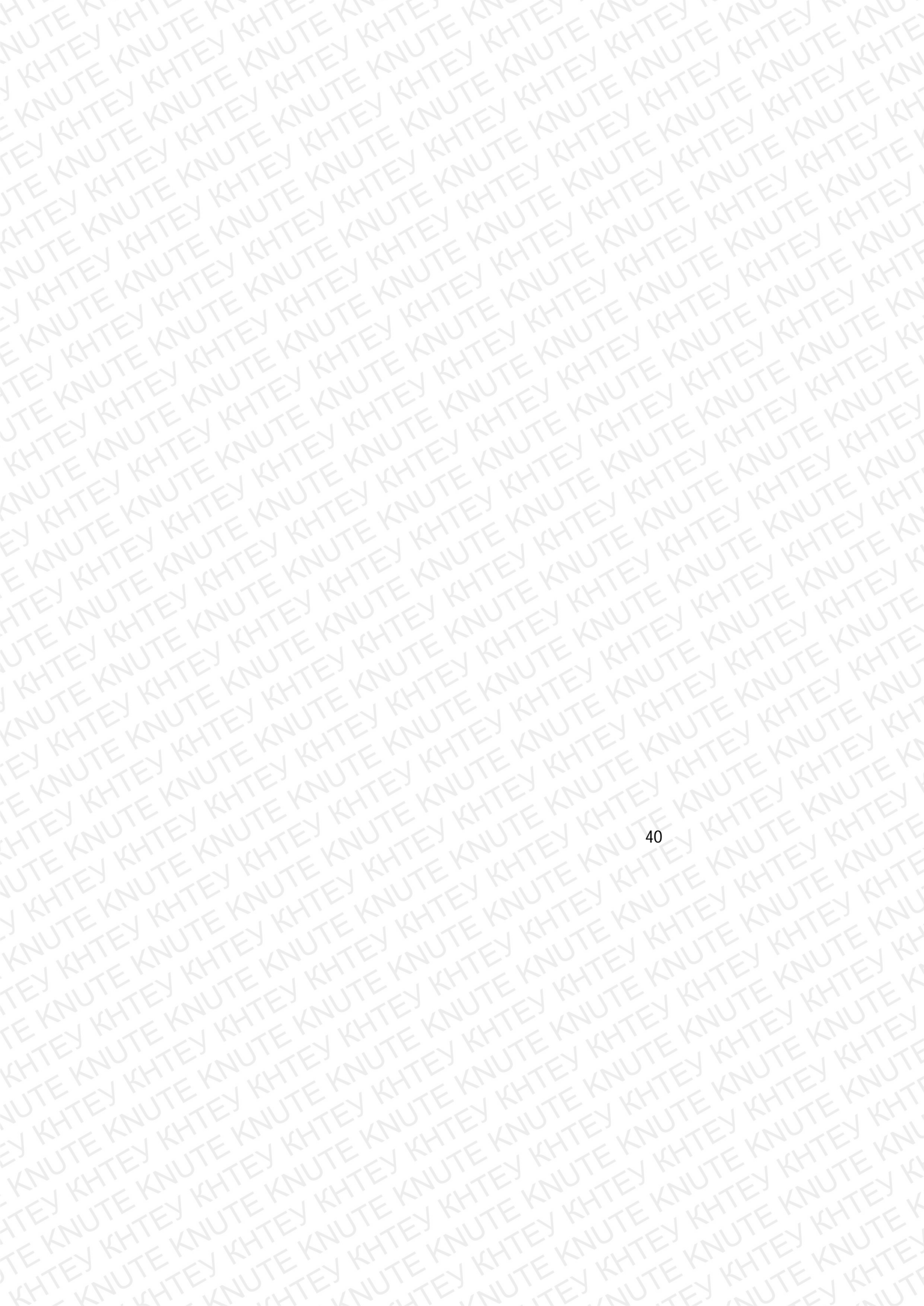


Table 2.1.1

## Dynamics of Assets Volume of PJSC GARMENT FACTORY «VORONIN» in 2013-2017, thous. UAH

ASSETS	Code	For 31.12					Absolute deviation, (+/-)				Relative deviation %			
		2013	2014	2015	2016	2017	2014/ 2013	2015/ 2014	2016/ 2015	2017/ 2016	2014/ 2013	2015/ 2014	2016/ 2015	2017/ 2016
<b>I. Non-current assets:</b>														
Intangible assets:	1000	25	3	2	1	1	-22	-1	-1	-	-88	-33,33	-50	0
- initial value	1001	149	149	149	117	117	-	-	-32	-	0	0	-21,48	0
- accumulated depreciation	1002	124	146	147	116	116	22	1	-31	-	17,74	0,68	-21,09	0
Fixed assets:	1010	53423	52912	52111	51159	3456	-511	-801	-952	-47703	-0,96	-1,51	-1,83	-93,24
- initial value	1011	54458	55046	55429	55700	29062	588	383	271	-26638	1,08	0,7	0,49	-47,82
- depreciation	1012	1035	2134	3318	4541	25606	1099	1184	1223	21065	106,18	55,48	36,86	463,88
Investment property	1015	2951	2932	2905	2885	-	-19	-27	-20	-2885	-0,64	-0,92	-0,69	-100
Other financial investments	1035	1	1	1	-	-	-	-	-1	-	0	0	-100	0
Total for section I	1095	56400	55848	55019	54045	3457	-552	-829	-974	-50588	-0,98	-1,48	-1,77	-93,6
<b>II. Current assets:</b>														
Inventories	1100	8017	8623	9452	11237	11461	606	829	1785	224	7,56	9,61	18,88	1,99
Receivables on products, goods, works and services	1125	3909	6202	12467	12190	4242	2293	6265	-277	-7945	58,66	101,02	-2,22	-65,18
Receivables on settlements: the advance payments	1130	469	389	252	904	635	-80	-137	652	-269	-17,06	-35,22	258,73	-29,76
from budget	1135	-	-	124	59	-	-	124	-65	-59	-	-	-52,42	-100
including income tax	1136	-	-	124	59	-	-	124	-65	-59	-	-	-52,42	-100
Other current receivables	1155	68	-	-	-	-	-68	-	-	-	-100	-	-	-
Cash and cash equivalents	1165	2786	2330	435	2598	1518	-456	-1895	2163	-1080	-16,37	-81,33	497,24	-41,57
Deferred expenses	1170	-	-	-	-	22	-	-	-	22	-	-	-	-
Other current assets	1190	-	79	124	131	74	79	45	7	-57	-	56,96	5,65	-43,51
Total current assets	1195	15249	17623	22854	27119	17955	2374	5231	4265	-9164	15,57	29,68	18,66	-33,79
III. Fixed assets, holdings for sale, and retirement groups	1200	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1300	71649	73471	77873	81164	21412	1822	4402	3291	-59752	2,54	5,99	4,23	-73,62

Source: constructed and calculated by the author on the basis of financial statements of PJ  
«VORONIN» [Appendix A].





As any analysis of financial and economic activity should start with investigation of company's volume of assets, then we propose studying them first. Assets volume dynamics of PJSC GARMENT FACTORY «VORONIN» (Table 2.1.1) shows the change in information about main production resources during investigated period.

Since 2013, one may observe slight decrease in company's assets from 56400 to 54045 in 2016. The dramatic change of the assets occurred in 2017 as company conducted revaluation of its main production means. Therefore, as for section I, we may see that total amount of non-current assets in the last reporting period decreased almost by 93 percent.

Section II of the table contains information about current assets of the company. During investigated period, the company's inventories increased from 8017 in 2013 to 11461 in 2017. This is a good sign for company's capability of increasing production in future periods. And if one look at the total numbers of this section, he will notice the trend of enlarging company's current assets from 15249 in 2013 to 17955 in 2017, though previous periods were a bit better with 22854 and 27119 in 2015 and 2016 respectively (Table 2.1.1).

As we can see from the analysis of assets of PJSC GARMENT FACTORY «VORONIN» for period of five years since 2013 to 2017, the best results of company's activity were in 2015 and 2016. Such positive results showed the company's strong positions in internal market and the continuous ability to increase its production regardless negative impact of political events, loss of relations with its biggest foreign partners and overall economic destabilization in 2013-2014. The dynamics of assets structure for the same investigated period of PJSC GARMENT FACTORY «VORONIN» is given in Appendix D where the calculations and comparison of results in company's assets are given in percentage.

To continue the analysis of financial and economic activity of the company further, we propose now to study the dynamics of liabilities volume for the same period, as it is an essential part of research (Table 2.1.2).



Table 2.1.2

## Dynamics of Liabilities Volume of PJSC GARMENT FACTORY «VORONIN» in 2013-2017, thous. UAH

LIABILITIES	Code	For 31.12					Absolute deviation				Relative deviation, %			
		2013	2014	2015	2016	2017	2014/ 2013	2015/ 2014	2016/ 2015	2017/ 2016	2014/ 2013	2015/ 2014	2016/ 2015	2017/ 2016
<b>I. Owner's equity</b>														
Registered capital	1400	351	351	351	351	351	0	0	0	0	0,00	0,00	0,00	0,00
Reserve capital	1415	183	183	183	183	183	0	0	0	0	0,00	0,00	0,00	0,00
Retained profit (uncovered loss)	1420	55936	56724	54474	54784	14854	788	-2250	310	-39930	1,41	-3,97	0,57	-72,89
Total for section I	1495	56470	57258	55008	55318	15388	788	-2250	310	-39930	1,40	-3,93	0,56	-72,18
<b>II. Long-term liabilities and provisions</b>														
Deferred tax liabilities	1500	7758	7957	9047	9017	0	199	1090	-30	-9017	2,57	13,70	-0,33	-100,00
Long-term provision	1520	693	0	0	0	0	-693	0	0	0	-100,00	-	-	-
Total for section II	1595	8451	7957	9047	9017	0	-494	1090	-30	-9017	-5,85	13,70	-0,33	-100,00
<b>III. Current liabilities and provisions</b>														
Current debts for: goods, work, services	1615	4471	5195	3167	6913	2604	724	-2028	3746	-4309	16,19	-39,04	118,28	-62,33
- payments to the budget	1620	651	1000	433	682	740	349	-567	249	58	53,61	-56,70	57,51	8,50
- including income tax	1621	101	6	0	0	0	-95	-6	0	0	-94,06	-100,00	-	-
- insurance settlements	1625	400	384	461	395	336	-16	77	-66	-59	-4,00	20,05	-14,32	-14,94
- paying of wages	1630	774	818	939	881	1136	44	121	-58	255	5,68	14,79	-6,18	28,94
- received advance payments	1635	383	86	16	1572	15	-297	-70	1556	-1557	-77,55	-81,40	9725,00	-99,05
- settlements with parties	1640	5	5	5	5	5	0	0	0	0	0,00	0,00	0,00	0,00
Current provisions	1660	0	749	611	815	1077	749	-138	204	262	-	-18,42	33,39	32,15
Other current liabilities	1690	44	19	8186	5566	111	-25	8167	-2620	-5455	-	42984,21	-32,01	-98,01
Total for section III	1695	6728	8256	13818	16829	6024	1528	5562	3011	-10805	22,71	67,37	21,79	-64,20
IV. Liabilities associated with non-current assets deducted for sale and disposal groups	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1900	71649	73471	77873	81164	21412	1822	4402	3291	-59752	2,54	5,99	4,23	-73,62

Source: constructed and calculated by the author on the basis of financial statements of PJSC GARMENT FACTORY «VORONIN» [Appendix B].



Dynamics of liabilities volume of PJSC GARMENT FACTORY «VORONIN» in 2013-2017 includes information on company's equity, long-term liabilities and provisions, current liabilities and provisions (Table 2.1.2).

From the first glance at a table, one can see that the company is generally dependent on its own resources as it attempts not to involve any bank credits or other liabilities. In 2017 the company had pay all the debts and for now, it does not have uncompleted contracts.

For section I, owner's equity (Table 2.1.2) we may observe decrease, which showed the worst change during the last reporting year in comparison with previous years as since 2013 the owner's equity dropped from 56470 to 15388 in 2017, which makes almost 73 percent decrease in total for this section.

In section II one can see that the long-term liabilities of the PJSC GARMENT FACTORY «VORONIN» are relatively low, as again the company is oriented at using own resources as much as it is possible to remain independent. If we take 2017, we may see 100 percent drop as the company paid out all of its debts (Table 2.1.2).

Information on current liabilities and provisions are expressed in section III of the given table. Here one can see slight increase in volume of these liabilities as since 2014 the company needed additional resources and funds to increase its production a bit, though again these numbers are relatively low as compared to owner's equity. In 2017, the company's current liabilities dropped by 64 percent, though current provisions and paying of wages increased as the trend of hrvinya inflation remained unchanged.

To sum up the analysis of liabilities volume dynamics, one can see that the main part of them makes owner's equity, as the company's main policy is economic accounting and avoiding implication of a bank credit. Although the company needs to reconsider its policy to increase production. The investigation of liabilities structure is presented in Appendix E.

Then, we propose to study the financial results structure and their dynamics of the investigated company (Table 2.1.3).







Table 2.1.3

## Financial Results Structure and Dynamics of PJSC GARMENT FACTORY «VORONIN»

INDICATORS	Amount of revenues/expenses , thous. hm.					Absolute deviation, thous. hm.					Relative deviation %				
	2013	2014	2015	2016	2017	2014/ 2013	2015/ 2014	2016/ 2015	2017/ 2016	2017/ 2013	2014/ 2013	2015/ 2014	2016/ 2015	2017/ 2016	2017/ 2013
Net revenue (proceeds) from products sale (goods, work, services)	41431	32393	44107	47023	46632	-9038	11714	2916	-391	5201	-21,81	36,16	6,61	-0,83	12,55
Cost value of sales (goods, work, services)	-36303	-30308	-38342	-39372	-40498	5995	-8034	-1030	-1126	-4195	-16,51	26,51	2,68	2,85	11,56
Gross profit/losses	5128	2085	5765	7651	6134	-3043	3680	1886	-1517	1006	-59,34	176,5	32,71	-19,83	19,62
Other operating revenues	3673	4516	3049	1648	2343	843	-1467	-1401	695	-1330	22,95	-32,48	-45,95	42,17	-36,21
Administrative expenses	-5845	-5409	-5952	-5783	-6230	436	-543	169	-447	-385	-7,46	10,04	-2,84	7,73	6,59
Distribution costs	-820	-633	-839	-880	-906	187	-206	-41	-26	-86	-22,8	32,54	4,89	2,95	10,49
Other operating expenses	-987	-1712	-1592	-1918	-1177	-725	120	-326	741	-190	73,45	-7,01	20,48	-38,63	19,25
Financial results from operating activities: profit	1149	-1153	431	718	164	-2302	1584	287	-554	-985	-200,35	137,38	66,59	-77,16	-85,73
Other revenues	6	7	14	20	35	1	7	6	15	29	16,67	100	42,86	75	483,33
Other expenses	-39	-2	-13	-	-	37	-11	-13	-	-39	-94,87	550	-	-	-
Profit before taxes	1116	-1148	433	747	218	-2264	1581	314	-529	-898	-202,87	137,72	73,32	-70,82	-80,47
Income tax expenses	-328	-1102	-65	-147	-59	-774	1037	-82	88	269	235,98	-94,10	126,15	-59,86	-82,01
Net income	788	-2250	368	600	159	-3038	2618	232	-441	-629	-385,53	116,36	63,04	-73,5	-79,82

Source: constructed and calculated by the author on the basis of financial statements of PJSC GARMENT FACTORY

«VORONIN» [Appendix C]

The last step at this stage of analysis is the study of dynamics and structure of financial results. Here one can see exact numbers of revenues and expenses of PJSC GARMENT FACTORY «VORONIN» during 2013 – 2017 (Table 2.1.3).

From this table we may see that the most profitable year for the company was 2013. It is explained by relatively stable economic and political situation during previous years, which facilitated only increase in economic results. Since that time in 2013 and 2014 the company lived through difficult time and we may observe it in company's main financial results, namely an immense decrease by over 325 percent in net income. The reasons are obvious, although the fact that the company withstood those severe years is a strong signal of its potential on internal market and external as well.

After 2014 the company managed to increase its income and as we can see from the table (Table 2.1.3) it was increased by 116 percent in 2015. The next year were the most profitable after economic and political crisis with 63 percent increase in income if compared to previous year. The last year has not showed such good results as in 2016, but generally the company remained profitable. There are some changes to be done to increase the company's financial results that will be discussed in Part III of the research. But for now we may say that the company has the potential to grow up, provided all the necessary steps are taken.

Next, second stage of the analysis is the investigation of company's liquidity (Table 2.1.4). The company's liquidity analysis based on certain ratios allowed determining the ability of the company to pay its current liabilities. At this stage, we analysed, firstly, current ratio, which showed the change of available resources to cover current liabilities. Then quick ratio was calculated. It shows the payment possibility of a company to pay current liabilities, provided in-time settlements with debtors. The next ratio, subject for analysis was cash ratio that showed the amount of debts that could be paid immediately. Finally, working capital was calculated, which showed the company's ability to expend its production





Table 2.1.4

Analysis of Liquidity of PJSC GARMENT FACTORY «VORONIN» for  
2013 – 2017

On 31.12					
INDICATORS	2013	2014	2015	2016	2017
Current ratio	2,27	2,13	1,65	1,61	2,98
Quick ratio	1,07	1,09	0,97	0,94	1,08
Cash ratio	0,41	0,28	0,03	0,15	0,25
Net capital, thous. UAH	8521,00	9367,00	9036,00	10290,00	11931,00

Source: constructed and calculated by the author on the basis of financial statements of PJSC GARMENT FACTORY «VORONIN»

In order to calculate the current ratio one should divide total current assets (Table 2.1.1) by total current liabilities (Table 2.1.2). The normative value should exceed  $>1$ , so it shows us that the company has enough resources to cover its liabilities. Then quick ratio is calculated by finding the difference between total current assets and inventories (Table 2.1.1) and then dividing it by total current liabilities (Table 2.1.2). All the value of this indicators are more than 0,8, which proves the company's ability to pay its current liabilities. To find cash ratio, in our case, one should cash and cash equivalents (Table 2.1.1) divide by total current liabilities (Table 2.1.2), and the values should be more than 0. In our case we may observe slight decrease in values till 2015 and since that time it managed to establish positive continuous increase. Last, we calculated net capital, which is the difference between total current assets (Table 2.1.1) and total current liabilities (Table 2.1.2). We may see general increase in this indicator's value during whole investigated period. Therefore, to sum up we may state that the company can pay its current liabilities and this trend remained positive for 5 years (Table 2.1.4).

Then we carried the analysis of company's financial sustainability, to characterise the structure of the company's financing sources, the financial sustainability degree and degree of independency from external financing sources (Table 2.1.5).

Table 2.1.5

## Financial Sustainability Ratios of PJSC GARMENT FACTORY

«VORONIN» for 2013 – 2017

INDICATORS	For 31.12				
	2013	2014	2015	2016	2017
Equity-to-assets ratio	0,79	0,78	0,71	0,68	0,72
Debt-to-equity ratio	0,27	0,28	0,42	0,47	0,39
Fixed assets to current assets ratio	0,56	0,53	0,40	0,38	0,66
Fixed assets to equity ratio	0,15	0,16	0,16	0,19	0,78

Source: constructed and calculated by the author on the basis of financial statements of PJSC GARMENT FACTORY «VORONIN»

Here we analysed four main indicators, namely:

1) equity-to-assets ratio, which is equal to total of owner's equity divided by total liabilities (Table 2.1.2). All the values are more than  $>0,5$  that show decent amount of owner's equity share in the total amount of funds advanced in company's activities;

2) debt-to-equity ratio which is the ratio between the sum of total long-term liabilities and total current liabilities and total of owner's equity (Table 2.1.2). The positive decrease of  $<0,5$  during the last years characterises the low dependence of the company on the funds involved;

3) fixed assets-to-current assets ratio (total current assets minus total current liabilities divided by total current assets (Table 2.1.1-Table 2.1.2)) shows that the company's own net capital is secure as the value are more than  $>0,1$ ;

4) fixed assets-to-equity ratio is a ratio between net working capital and owner's equity. It shows which portion of equity were used to finance current operations, and all the values are not less than recommended  $>0$ .

We may conclude that the company's degrees of financial stability and independency from external financing sources (Table 2.1.5) are positive.

Table 2.1.6

**Profitability ratios of PJSC GARMENT FACTORY «VORONIN»  
for 2013 – 2017**

INDICATORS	For year				
	2013	2014	2015	2016	2017
Return on assets	1,086	-2,973	0,463	1,170	0,750
Return on equity	1,386	-4,008	0,667	1,697	1,028
Return on sale	1,902	-6,946	0,834	1,276	0,341
Return on current expenses	-0,023	0,061	0,007	0,007	0,002

Source: constructed and calculated by the author on the basis of financial statements of PJSC GARMENT FACTORY «VORONIN»

Next, we calculated profitability ratios of the company to determine the efficiency of money, invested in the company, and the rationality of their use. Here we calculated return on assets, return on equity, return on sale and return on current expenses based on financial results data (Table 2.1.3) and average values from balance sheet [Appendix A, B]. These indicators during the last 3 years showed positive values as they exceed 0 and showed efficient usage of assets, investing in the company, and profitable company's economic activity.

Last stage of the analysis was the calculation of turnover ratios (Table 2.1.7). At this stage, we took the data from all the available financial sources (Table 2.1.1-2.1.3); [Appendices A, B, C] and studied:

- 1) assets turnover ratio, which values increased during investigated periods and it characterizes the efficient usage of all available resources by the company;
- 2) accounts receivable/payable turnover and it showed positive increase in values during investigated years;
- 3) accounts receivable/payable turnover, days showed the average period of receivables or payables repayment to/by the company and here we may say that the last reporting year proved the best results;



4) inventory turnover ratio which characterized increase in speed of company's inventory sale;

5) fixed assets turnover ratio proved the efficiency of using fixed assets of the company as the values increased for the last years;

Generally speaking all the values of turnover ratios are relatively good and only 2014 showed the worst results during calculations (Table 2.1.7). Therefore, we may consider the company's business activity successful.

Table 2.1.7

Turnover Ratios (Business Activity) of PJSC GARMENT FACTORY  
«VORONIN»

INDICATORS	For year				
	2013	2014	2015	2016	2017
Assets turnover ratio	0,57	0,43	0,55	0,92	2,20
Accounts receivable turnover	7,51	3,33	3,39	5,22	10,73
Accounts payable turnover	5,82	3,13	3,02	4,49	10,27
Accounts receivable turnover (days)	47,95	107,99	106,09	69,03	33,56
Accounts payable turnover (days)	61,84	115,10	119,25	80,24	35,04
Inventory turnover ratio	4,36	3,35	3,71	3,47	3,43
Fixed assets turnover ratios	0,76	0,59	0,79	1,11	1,61

Source: constructed and calculated by the author on the basis of financial statements of PJSC "Garment factory «VORONIN»

To conclude the results of the made financial and economic analysis one can see, that the business activity of PJSC GARMENT FACTORY «VORONIN» for the last reporting period is decent if compared to previous periods. We may see that the company is profitable, and the only unprofitable year during investigated period was 2014. This is due to close economic relationship with the Russian Federation. Today this trend of political relations remain unchanged, so the company is in need of search of new sales markets. The net capital of the company proves the possibility of the company to expand its area of activity. Some

parameters were better compared to last reporting year, but one may see that, generally, all the ratios are not less than recommended, provided the company is considered profitable. Therefore, the company's trade operations are planned and organized well enough, though some changes are necessary to follow the trend of profit increase.

## **2.2. Analysis of Foreign Trade Operations of PJSC GARMENT FACTORY «VORONIN»**

The organization and planning of foreign trade operations of the company is carried out by the department of foreign economic activity. The main tasks of the department:

- management of export potential of the company and creation of competitive products;
- ensuring fulfilment of obligations to foreign partners;
- development of new forms of industrial, scientific-technical and investment cooperation;
- preparation of a contract product for the procedure of customs clearance.

In this case, the volume of export-import operations is constant, homogeneous, and its geography is limited.

The main function of the department is to provide stable and adequate, potential opportunities of the company, foreign economic activity, deepening of trade relations with foreign partners [67].

The main types of work performed by the department are as follows:

- organization of export operations;
- currency and financial transactions;
- declaration and customs clearance of goods;
- establishing partnerships with firms from other countries;
- scientific and informational work;

- search for ways of entering foreign markets;
- study of directions and development trends for a particular product on the world market.

In order to clearly understand how responsibilities are shared between employees of foreign economic activity department of the company, one should consider the structure of the department, who is included in it, and what responsibilities are assigned to each employee of the department.

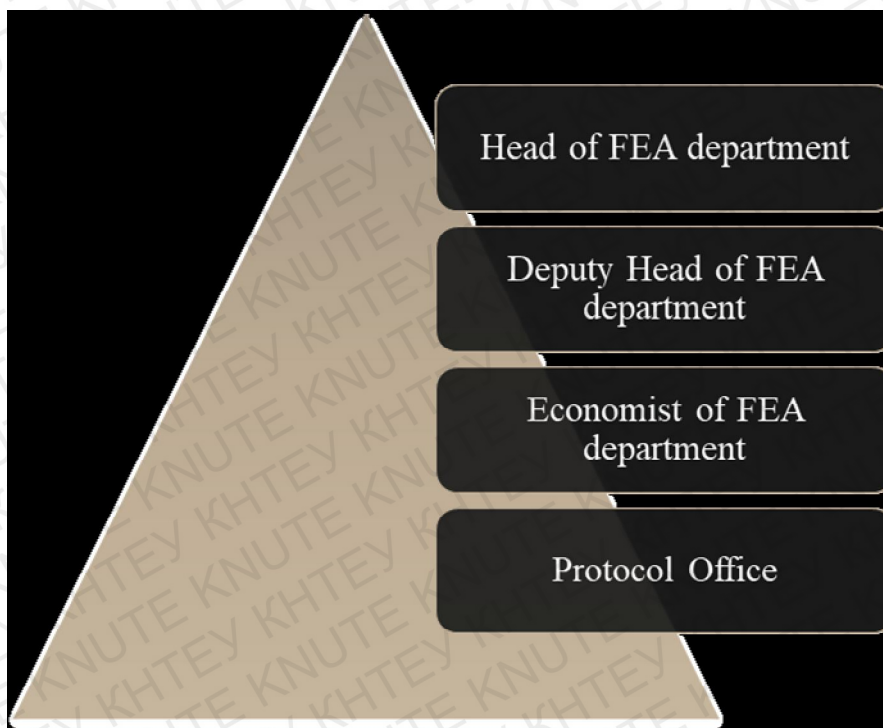


Figure 2.2.1. FEA Department Structure

Source: made by the author according to FEA department structure of PJSC GARMENT FACTORY «VORONIN»

The Head of the department of foreign economic activity carries out general coordination of the activities of the department's staff and coordinates the department with other departments and services of the company, deals with the issues of the movement of foreign exchange funds, solves current operational issues.

The Deputy Head of the Foreign Economic Affairs Department supervises the timely execution of the instructions, carries on correspondence with enterprises



and companies of Ukraine and other countries on economic and scientific-consulting issues, and participates in the development of contract terms.

The economist of the FEA Department is responsible for calculating the prices of export products, taking into account the basis of supply and other conditions; makes commercial proposals for the sale of products of the company; develops the articles of the contract; issues the passport of the agreement under the contracts of sale and prepares a plan of measures for the implementation of the contract and its control.

The competence of the Protocol Office includes the preparation of programs for the arrival of delegations, the translation of all documentation from foreign languages coming to the company, assistance in organizing negotiations and preparation of the necessary documentation for foreign missions of specialists.

As we can see, the department is small in number, but it can successfully cope with its functional obligations through interaction with other divisions of the company.

Since the main foreign trade operations of PJSC GARMENT FACTORY «VORONIN» are operations on the export of finished products, then the procedure under which the export itself is carried out and how it is organized is to be considered.

Export (final exportation) is a customs regime under which Ukrainian goods are issued for free circulation outside the customs territory of Ukraine without the obligation to re-import them. The movement of goods into the customs regime is carried out by means of their declaration and execution of customs formalities provided by the Customs Code (part two of Article 71 of this Code) [9]. The customs regime of export is regulated by the provisions of Chapter 15 of the Customs Code. The goods placed under the customs regime of export lose the status of Ukrainian from the moment of their actual export outside the customs territory of Ukraine.

Since there is no Customs Clearance Expert in the Foreign Economic Affairs Department of the company, then the export procedure of the company is carried

out by the Foreign Economic Affairs Department in the following sequence [5, p. 323]:

- the features of the export operation are determined (in our case, this is the usual export of the goods);
- an agreement is concluded with the customs broker, which gives him the right to represent the interests of the company in the customs authorities;
- together with the customs broker the department defines the code of the product according to Ukrainian classification of goods of foreign economic activity (UCGFEA), as well as the need for additional types of control, obtaining permit documents, certificate of origin, etc .; here we should say that the company's main export goods are men's suits, jackets, trousers and coats, and their codes according mentioned classification are 6103 10 10 00, 6103 31 00 00, 6103 41 00 90 and 6102 10 10 00 respectively;
- the contract is concluded - foreign economic contract, which then is checked for compliance with the requirements of the customs authorities and the bank;
- a contract for provision of transport-forwarding services is concluded; on this stage we should mention, that after the goods have been loaded into a vehicle, the agreed documents are forwarded to the broker; some documents may, with mutual consent, be prepared by the customs broker;
- the customs broker carries out the customs clearance of goods and provides a completed package of documents to the cargo carrier (to the driver), as well as to FEA department, responsible for organization of exporter operation.

An essential stage in the export is the definition of supply terms of goods in accordance with Incoterms 2010 [20]. On PJSC GARMENT FACTORY «VORONIN» FCA terms are used. In accordance with FCA terms, the department of foreign economic activity is responsible for accomplishing following duties [5, p. 340]:

- 1) Provision of goods and invoice to the buyer, who in turn undertakes to pay the full payment.

2) Issuing to the buyer all necessary documents (licenses, certificates, etc.), and the buyer fully pays the costs of their registration, in addition, under its responsibility, the accompanying risks pass.

3) Delivery of goods on FCA Incoterms 2010. The department organizes delivery and transfer of the goods within the specified time and place, and the buyer accepts them if all conditions are met.

5) FEA department, representing the company, assumes all possible risks and bears responsibility to the place of delivery, after the transfer, responsibility is borne by the buyer, including responsibilities for damage, damage or loss of the goods, after the delivery time or absence of the carrier.

6) Distribution of costs. All expenses related to export by the time of delivery are paid by the company (customs duties, customs clearance, etc.). After delivery, all related and unforeseen costs are paid by the buyer.

7) Messaging. The FEA department is obliged to inform the buyer about the transfer of the goods to the carrier within the specified time period. At the same time, before the conclusion of the transaction, the buyer must agree on the conditions of carriage and provide the necessary information to the other party.

8) Provision of transport documents. The department must send the shipping documents to the buyer testifying the delivery. In case of impossibility of presenting these documents - provide full assistance in obtaining them at the expense of the buyer. In accordance with the company's obligations under this step, the buyer must accept all the documents proving the delivery [5, p. 341].

9) Packaging, marking, inspection and inspection of the goods. According to the FCA agreement, the shipped item must be packed and marked, in accordance with the requirements for the transportation of this type, all costs are borne by the company. The buyer's responsibility is to pay all expenses during inspection, except for situations in which the review is carried out by the authorities of the exporting country.

10) Fulfilment of other terms and obligations. Other conditions include the full participation of the department in the processing of documents or receipt of



equivalent electronic communications used in the countries of delivery or transit. In addition, the department provides information and instructions for the delivery, insurance of goods, resulting in the buyer's pays the costs associated with these manipulations.

By comparing FCA Incoterms 2010 to both parties, it can be concluded that they are lighter and more profitable for investigated company, whose liability and obligations expire at the place of delivery of the goods to the carrier, which greatly affects the risks and financial costs of the buyer.

Having examined the hierarchical structure of the foreign economic activity department and the main measures for organizing and conducting foreign trade operations, it would be advisable to consider the foreign trade operations of the company in terms of export dynamics, geographic and commodity structure of exports.

So in order to understand which countries represent main business partners of the company one should analyse the table below. It shows to what extent the goods are distributed in percentage.

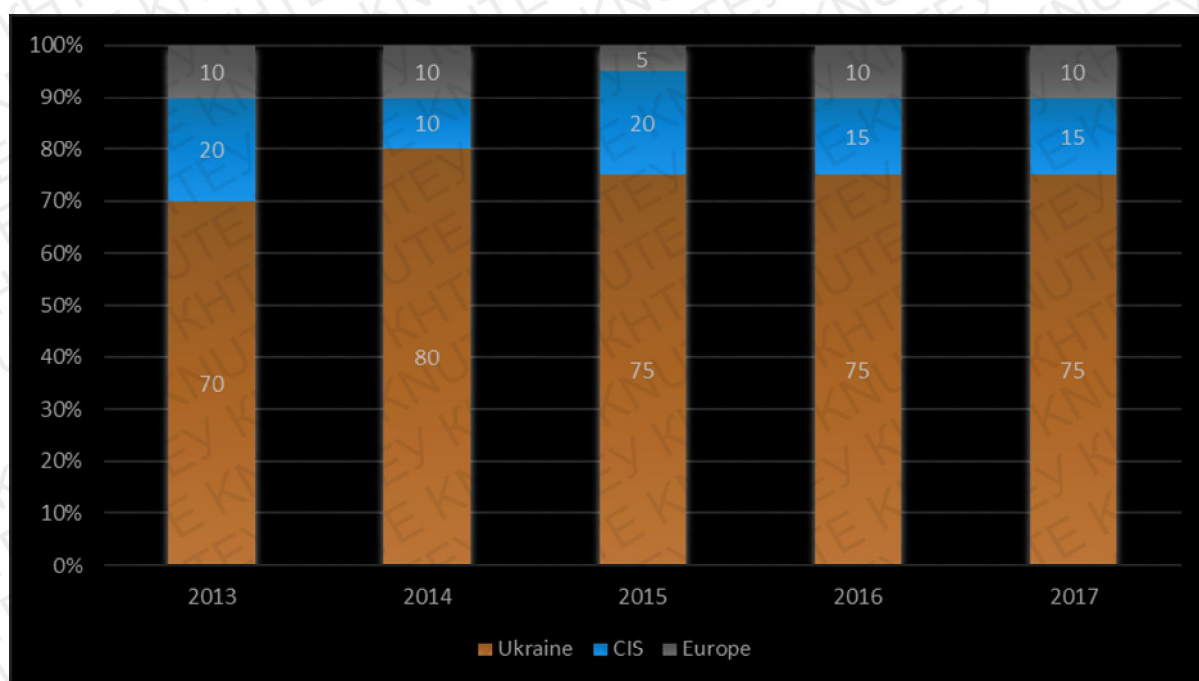


Figure 2.2.2. Structure of Sales Distribution by Countries in %, for 2013 – 2017

Source: constructed by author based on managerial reports of FEA department of PJSC GARMENT FACTORY «VORONIN»

In this table one can see, that the main market for the company is Ukraine, though the company appreciates expending on the foreign markets. Main partners on foreign markets are CIS countries, namely Republic of Belarus and Russian Federation. Since 2014, the shares of goods distributed on market of Russia have been significantly decreased because of political situation (Figure 2.2.2).

In order to get more precise picture of how the export operations of PJSC GARMENT FACTORY «VORONIN» were conducted during reporting period of five year, we may consider the analysis of products structure (Table 2.2.3). In the table below, one can see exact numbers of commodity units, realized on foreign markets of CIS and EU, and the relation to overall number of goods. One can see in the table that the units' number is not huge. This is because of the fact that the company's products are oriented on specific market segment and the products of the company are unique in nature, which are explained by world leading technologies in producing best quality clothing.

Table 2.2.3

Commodity Structure of PJSC GARMENT FACTORY «VORONIN»  
for 2013 – 2017

Names of products according UCGFEA	2013		2014		2015		2016		2017	
	units	%	units	%	units	%	units	%	units	%
1. Men's suits (6103 10 10 00)	17825	56.31	9224	54.91	13084	57.93	12209	62.09	13367	73.99
2. Men's jackets (6103 31 00 00)	4740	14.97	2398	14.27	4013	17.77	2295	11.67	1815	10.05
3. Men's trousers (6103 41 00 90)	9090	28.72	4886	29.09	5101	22.59	4629	23.54	2684	14.86
4. Men's coats (6102 10 10 00)	-	-	291	1.73	387	1.71	529	2.69	200	1.11
Clothing and accessories	31655	100	16799	100	22585	100	19662	100	18066	100

to clothing, total (6103)									
------------------------------	--	--	--	--	--	--	--	--	--

Source: constructed by the author on the basis of production and sales reports of PJSC GARMENT FACTORY «VORONIN».

The table shows that during the last reporting year there were some negative changes in commodity structure. Therefore, since 2013 to the beginning of 2015 we may see negative trend of reducing foreign trade operations (Table 2.2.3). In previous years, the main foreign partner for the company was Russian Federation. Due to political events, business relations between two countries suffered severe consequences. In 2015, the company managed to increase export operations slightly in comparison with previous period (Table 2.2.3). However, since that time no effective measures for improving poor state of affairs were taken, as the company had also struggled with negative trends on Ukrainian market. Next is geographical structure, which is also presented in table (Table 2.2.4)

Table 2.2.4

Geographical Structure of Commodity Distribution Shares of PJSC GARMENT FACTORY «VORONIN» During 2013 – 2017

Year	Measurements	CIS	EU	Total
2013	%	67	33	100
	units	21103	10552	31655
	thous. UAH	7611	3805	11416
2014	%	50	50	100
	units	8400	8400	16799
	thous. UAH	3096	3096	6191
2015	%	80	20	100
	units	18068	4517	22585
	thous. UAH	8578	2144	10722
2016	%	60	40	100
	units	11797	7865	19662
	thous. UAH	6625	4417	11042
2017	%	60	40	100



	units	10840	7226	18066
	thous. UAH	6419	4279	10698

Source: constructed by the author on the basis of production and sales reports of PJSC GARMENT FACTORY «VORONIN».

The table although shows that despite negative trends occurring during previous reporting periods, the company strives to increase its positions on the foreign markets, as situation on internal market stabilised (Table 2.2.4). The company has real competitive advantages over other competitive companies, as it possesses unique sewing technologies providing better quality for reasonable prices, and the analysis of structure and geography proved the possibility of the company to quickly gain best positions on appropriate markets satisfying special segment of customers, provided the organization and planning are accomplished in effective manner.

To sum up we may see that the company's products are famous world wide and has a great demand as the company proposes to its customers high-quality clothing at reasonable prices. From the commodity structure (Table 2.2.3), we may see that the main commodity group forming its base export position is men's suits. Then the rank of commodity's positions goes as follows: men's trousers ( $\approx 14\%$ ), then men's jackets ( $\approx 10\%$ ) and newly appeared in 2014 – men's coats ( $\approx 1,5\%$ ).

The main European partner of the company is Czech Republic. Although, most of the export products are shipped to CIS countries, namely Russian Federation, Republic of Belarus and Kazakhstan (Figure 2.2.2). All the mentioned countries make general partners of the company, though the share of export products are different. With remaining political situation, and the country's orientation on enlarging trade relations with EU countries, it is recommended for the company to search new European markets as its products already showed positive results on existing market.

The most commonly used are FCA Incoterms for goods shipment, as the products do not require great spending on their transportation. For company's increase of foreign trade operations it is recommended to hire own specialist who

will be responsible for customs clearance of goods and other procedure related to it.

To conclude the analysis of foreign trade operations, we may say that the company is in need of making new partners in the EU as the relations with its current partners showed the trend to become tense during the last reporting periods.

### **2.3. Evaluation of Organization and Panning Efficiency of Foreign Trade Operations within Business Activity of PJSC GARMENT FACTORY «VORONIN»**

All the foreign trade operations of the company are managed by the department of foreign economic activity. For today, the company has not established long-term relations with foreign partners, so there are no long-term contracts, which would distinguish the company's liabilities before foreign partners for provision of products during some periods of time. Main foreign trade operations of the company are based on the search of buyers in form of companies or stores network, which could realize or distribute the company's commodities. Such partners are the local companies and boutiques of Europe and CIS countries. Comparably small amount of commodities produced are explained by specifying the production of goods for narrow market segment. All range of company's goods are exported in appropriate amount, so there are no products, which would be distributed only in one market.

Another form of foreign trade relations of the company is franchising. Franchising is a form of cooperation between legally and financially independent parties (companies and/or individuals) in which one party (franchisor) with a successful business, a well-known trademark, know-how, trade secrets, reputation and other intangible assets, allows the other party (franchisee) to use this system under certain conditions [4, p. 45].

When buying a franchise, the businessman dares to conduct business at his own risk, but under the name of the franchisor. A well-known brand «VORONIN» guarantees more customers and really reduces the risk of bankruptcy. By making a decision on cooperation on the principles of franchising, both parties sign a cooperation agreement [34].

The main responsibility of the PJSC GARMENT FACTORY «VORONIN» is to grant trademark permission and transfer knowledge and experience of doing



business and support the partner throughout the duration of the contract. The main responsibility of the franchisee is to comply with the common standards for the entire network of the company and deduct franchise payments. Often the company also designates advertising deductions. This money is used for the benefit of the entire network: marketing research, development of new products and advertising campaigns.

All franchising relationships are governed by a contract from our company (franchisor) to the second company, store etc. (franchisee), which gives the franchisee the right to trade under the trademark/company's trade name and make it possible to use the whole complex, including all the necessary elements for the transfer of rights that listed in the so-called "franchise package".

Generally speaking, all the volumes of export operation are presented in the table 2.3.1, where one can observe change in units and total cost of these units realised during foreign trade operations (Table 2.3.1).

Table 2.3.1

Dynamics of Export Volume of PJSC GARMENT FACTORY «VORONIN»  
in 2013 – 2017

Years	Average sales price, UAH	Volume, units	Total cost, UAH
2013	360.6	31655	11416000
2014	368.5	16799	6191000
2015	477.0	22585	10772000
2016	561.6	19662	11042000
2017	592.2	18066	10698000

Source: constructed by the author on the basis of production and sales reports of PJSC GARMENT FACTORY «VORONIN».

This relatively small table contains general information on goods, exported to all of the foreign countries, where the company's products are distributed. In this table we see, that the company's export activity is relatively low in terms of units if compared to other companies. The main reason of this is the company's choice of using patient (niche) strategy with narrow specialization. The company produces unique goods, clothing and accessories to them, for a certain narrow

circle of consumers who are keen on fashion and current trends in it, as the brand is well-known and it has gained its status over long history.

Then, after presenting dynamics of export volume we should consider studying indicators of export efficiency (Table 2.3.2).

Table 2.3.2

Indicators of Export Efficiency of PJSC GARMENT FACTORY «VORONIN» in 2013 – 2017, UAH

Indicators of export efficiency					
INDICATORS	2013	2014	2015	2016	2017
Net profit from export	11416000	6191000	10772000	11042000	10698000
Cost of finished products	10890000	6061000	10252000	10522000	10124500
Spending FCA (Prague):	246000	126000	210000	220000	227000
loading	61500	31500	52500	55000	56750
transportation to main carrier	184500	94500	157500	165000	170250
Total cost of finished products	11136000	6187000	10462000	10742000	10351500
Effect from export	280000	4000	310000	300000	346500
Coefficient of export efficiency	1.14	0.03	1.48	1.36	1.53

Source: constructed by the author on the basis of production and sales reports of PJSC GARMENT FACTORY «VORONIN».

In the table of export efficiency indicators (Table 2.3.2) one can see how have the changes to company's results in period of 5 years been occurring. So, the data in the table was evaluated on the data of company's managerial, production and sales reports. As was studied earlier, the company's main spending on export operations were those, included and explained by FCA Incoterms 2010. The

calculations are based on the ratio of general sales shares to export sales shares, which allowed us to summarize the results in this table.

One can see that the spending according to FCA are comparatively low and this is because of fact that the execution of company's liabilities according to mentioned terms are simple and easy and do not require big settlements. Next, we decided to use two parameters to analyse efficiency of export operations, namely effect from export and coefficient of export efficiency. These main parameters will be enough to analyse the company's export efficiency objectively because of relatively small sales volume. To calculate effect from export operations we need simply to find the difference between net profit from export and total cost of finished products (Table 2.3.2). The more the number we get after these calculations – the better is the result.

Then to calculate coefficient of export efficiency one should divide value of effect from export by the spending related to shipment of ready products, in our case according to FCA Incoterms 2010 (Table 2.3.2). The coefficient's recommended values are in between 1 – 1,5. The same calculations techniques will be applied for measuring effect from export and relative efficiency coefficient for separate commodities' groups in order to study them carefully.

Analysing general data we can see that since 2013 there were some bad and good changes in net profit of the company during reporting period. We can see that tense relations and economic crises of 2013-2014 influenced the company's activity the most heavily as 2014 is characterised as economically the worst year. Nevertheless, the company managed to withstand this difficult period mainly because of strong positions on the Ukrainian market and well-developed relations with Republic of Belarus and some other European countries, mainly those, next to Ukrainian border. Since that time, we can observe two the most effective export years of the investigated period. 2015 and 2016 showed a great potential for the company to continue gaining positions on foreign markets. Although the last reporting year, 2017 shows that the company should start finding partners on the other markets, than already existing. To monitor how export dynamics have been



changing during investigated periods in terms of product groups we propose to study the tables below, which will help to make some conclusions about efficiency of exporting appropriate commodity group (Table 2.3.3).

Table 2.3.3

Indicators of Export Efficiency of Men's Suits, UAH

Indicators of export efficiency of men's suits					
INDICATORS	2013	2014	2015	2016	2017
Net profit from export	6428374.7	3399356.2	6240462.6	6856463.1	7915430.4
Cost of finished products	6132182.9	3327975.7	5939214.9	6533572.3	7491098.8
Spending FCA (Prague):	136523.14	68184.118	120657.74	135607.67	166956.88
loading	32630.785	16296.029	29414.437	33151.918	40989.22
transportation to main carrier	103892.36	51888.089	91243.303	102455.75	125967.66
Total cost of finished products	6268706	3396159.8	6059872.6	6669179.9	7658055.7
Effect from export	159668.61	3196.3213	180589.99	187283.19	257374.71
Coefficient of export efficiency	1.17	0.05	1.50	1.38	1.54

Source: constructed by the author on the basis of production and sales reports of PJSC GARMENT FACTORY «VORONIN».

The table represents the results of foreign trade operations related to exporting of men's suits, which make the main product group of the company's overall activity. In this table, we may observe that the lowest effect from export and accordingly the lowest coefficient of export efficiency was obtained when calculating data for 2014. The value of coefficient is even lower than recommended. It is explained by the company's general losses during that period. Nevertheless, the company managed to take thoughtful actions to gain even better results of export effect if compared to previous, 2013 period, which considered as

successful. The last year showed the best results, as men's suits possess a good demand on the markets, where they are distributed.

Table 2.3.4

Indicators of Export Efficiency of Men's Jackets, UAH

Indicators of export efficiency of men's jackets					
INDICATORS	2013	2014	2015	2016	2017
Net profit from export	1709424.7	883744.15	1914015.3	1288851.1	1074774.2
Cost of finished products	1630661.8	865187.09	1821619.5	1228155.3	1017157.5
Spending FCA (Prague):	36835.887	17786.071	37513.704	25678.975	22905.546
loading	9208.9717	4296.5181	9528.4262	6419.7437	5801.3863
transportation to main carrier	27626.915	13489.553	27985.278	19259.231	17104.16
Total cost of finished products	1667497.7	882973.17	1859133.2	1253834.3	1040063.1
Effect from export	41927.026	770.98597	54882.134	35016.784	34711.11
Coefficient of export efficiency	1.14	0.04	1.46	1.36	1.52

Source: constructed by the author on the basis of production and sales reports of PJSC GARMENT FACTORY «VORONIN».

In the table (Table 2.3.4) we may see the results of calculating the effect from export and coefficient of export efficiency for men's jackets, which shares in company's overall production has been decreasing from almost 15% in 2013 to 10% in 2017. As the amount of production has decreased, the effect from export has also decreased. Nevertheless, we may observe that the coefficient of export efficiency has remained in almost the same frames during the last 3 years of investigated period, as the spending according to FCA are relatively low and that is why the best value of the coefficient was obtained after calculating the results of 2017. Then we will study the efficiency of exporting men's trousers (Table 2.3.5).

Table 2.3.5

## Indicators of Export Efficiency of Men's Trousers, UAH

Indicators of export efficiency of men's trousers					
INDICATORS	2013	2014	2015	2016	2017
Net profit from export	3278200.6	1800656.3	2432941.0	2599604.2	1589363.0
Cost of finished products	3127155.3	1762845.8	2315494.9	2477181.3	1504160.2
Spending FCA (Prague):	70641.0	36647.2	47830.2	51994.3	33724.6
loading	17660.2	9161.8	12257.6	13148.6	8431.1
transportation to main carrier	52980.7	27485.4	35572.6	38845.7	25293.4
Total cost of finished products	3197796.2	1799492.9	2363325.1	2529175.6	1537884.8
Effect from export	80404.4	1163.4	69615.9	70428.6	51478.2
Coefficient of export efficiency	1.1	0.03	1.46	1.35	1.5

Source: constructed by the author on the basis of production and sales reports of PJSC GARMENT FACTORY «VORONIN».

After investigating the structure of company's products we may see that the production of men's trousers during investigated period of five years has dropped dramatically since 2013 with 28,7% of overall production share to 14,86% in 2017. This trend has also reflected in company's distribution of men's trousers as we can see that the effect from export has also decrease from 80404,4 in 2013 to 51478,2 in 2017 (Table 2.3.5).

Nevertheless, the coefficient of export efficiency shows positive change during studied reporting years as it has increased since 2013 with 1,1 to 1,5 in 2017. We may consider this results as positive because, though the production amounts dropped, the coefficient proves the efficiency of these trade operations.

Then, we have to investigate the indicators of men's coats (Table 2.3.6)



Table 2.3.6

## Indicators of Export Efficiency of Men's Coats, UAH

Indicators of export efficiency of men's coats					
INDICATORS	2013	2014	2015	2016	2017
Net profit from export	-	107243.35	184581.09	297081.58	118432.41
Cost of finished products	-	104991.43	175670.75	283091.14	112083.47
Spending FCA (Prague):	-	2182.63	3601.41	5893.03	2513.01
loading	-	545.66	902.61	1453.76	628.25
transportation to main carrier	-	1636.97	2698.80	4439.27	1884.76
Total cost of finished products	-	107174.06	179272.16	288984.17	114596.48
Effect from export	-	69.29	5308.93	8097.41	3835.93
Coefficient of export efficiency	-	0.03	1.47	1.37	1.53

Source: constructed by the author on the basis of production and sales reports of PJSC GARMENT FACTORY «VORONIN».

The most interesting part of the investigation was newly appeared product group – men's coats since 2014. As its share from overall company's activity is about 5%, we may see that even less this number is presented in foreign trade operations. The company still investigates its demand and the increase of its production is subject of company top managers' consideration.

Nevertheless, after calculating coefficient of export efficiency for this product group we may observe positive change and we may expect the overall increase of production of this group as the demand for it only rises (Table 2.3.6). The only task left to solve is again the search of new markets, where men's coats under the company's brand may be distributed.

Carried analysis of foreign trade operations efficiency of PJSC GARMENT FACTORY «VORONIN» for period since 2013 for 2014 made it possible for us to make some conclusions about company's foreign activity.

First, from the results of calculations, presented in tables we may see that the main export goods of the company are men's suits, which in general make from 56 to 74 percent of all export products. This commodity have gained good positions in internal and external markets. The growing number of quantity in units during investigated period showed us positive trend. This product is considered as main for our company to expand with on foreign markets

Then the second export position is men's jackets. The analysis proved that this position is not as successful as previous as expressed in table by negative change, mainly decrease in number of sales and loss in share of total export products. In order to be exact, the profit from this position has decreased since 2013 by 634650.6 UAH and by 37,13 percent respectively. This is vivid message to company's managers that there are some actions to be done.

Next, are men's trousers. Situation with this position is as bad as previous. From the calculations we may observe 51,5 percent decrease in profit for sold units since 2013.

Finally, newly appeared position, which there was not until 2014 is men's coats. This position shown great results in profit as it has been rising since 2014 to 2016. The last reporting period proved positive tendencies for continuing gaining decent profits from exporting men's coats abroad, so this should be considered by company's managers as the proper area of investigation.

To sum up all the calculations and conclusions about each export position one can see that overall export result are not bed if talking about export of all goods. The worst was 2014 because of already know reasons. Nevertheless, the company has a great potential of entering foreign markets, especially with its first position that showed the best financial and economic results as for 2013 to 2017.

## CONCLUSIONS TO PART 2

The analysis of company's financial and economic activity as well as of foreign trade operations from different perspectives allowed defining most essential principals of organizing and evaluating business activity if the company.

Overall financial and economic activity analysis of the company showed that to get precise picture on results of business activity of any company one should use appropriate data sources, namely statements of financial activity, which are in open access to everybody. To give objective estimation about company's activity, the period of 5 years, since 2013 to 2017, was investigated and corresponding calculations were made. Based on the results of calculations it became possible to perform the analysis of company's liquidity, financial sustainability, profitability and business activity.

Then the organizational structure of company's FEA department and export procedures were investigated. It was established that the company's volume of foreign trade operations is not big because of narrow specialization and orientation on specific market segment.

And last, the analysis of overall export efficiency was conducted. Here the ratings of each product group and their change during investigated period of 5 years were studied. Main trends of positive and negative change were explained and possible solutions were proposed.

To sum up all the analyses, calculations and investigations of all company's business activity, one can see that the company managed to withstand negative economic and political influence of 2013-2014 years and now is in search of new foreign partners. The company has a great potential of entering foreign markets as its position on internal market stabilised. Uniqueness of company's products is the main competitive advantage that will provide favourable positions on foreign markets as the company has long history and its name is famous worldwide.



**PART 3**  
**WAYS FOR IMPROVING ORGANIZATION AND PLANNING OF  
FOREIGN TRADE OPERATIONS OF PJSC GARMENT FACTORY  
«VORONIN»**

**3.1. Definition of Reserves for Improving Organization and Planning of  
Foreign Trade Operations of PJSC GARMENT FACTORY «VORONIN»**

The domestic market of Ukraine is not able to provide the consumption of all products offered by PJSC GARMENT FACTORY «VORONIN», therefore, the company is forced to expand the markets. Accordingly, they go to foreign markets, where there is strong competition from the side of foreign companies. This prompts our company to identify strategic directions of development, improve export performance, and improve product quality, which enables the company to achieve long-term competitive advantages.

That is why, effective foreign economic activity of the company contributes to restoration of export potential of the country, increase of competitiveness of Ukrainian goods in world markets, to formation of rational structure of export, and to attraction of foreign investments, ensuring economic security of Ukraine [3].

The question of foreign economic activity functioning of the company is widely covered, first of all, in foreign scientific literature. In Ukraine, such problems are dealt with by such specialists as Bassova O. [3], Fokina K. [14], Gamaliy V. [16], Ivashchuk S. [21], Kochanets E. [26], Kovtun O. [28], and others.

Entering any foreign market is always connected with the beginning of a new competitive struggle. So, if existing partners of the company already have a connection and supply system, cooperation with future partners should be carefully considered taking into account regional peculiarities, because all countries differ in terms of demand for one or another product [21].

In conditions of high saturation and sometimes over-saturation of world commodity markets, every commodity (and commodity producer) is forced to struggle hard for the benefits of consumers, which is provided only to the most competitive goods. These are those, which on a unit of their value (prices) meet more needs at a higher level than competitors' products [14].

The growing interest in quality, caused by the intensification of competition in all, without exception, world markets, poses a very specific task for producers of products. In our time, improving quality means improving the competitiveness of their products both in the domestic and foreign markets [14].

As for improving the efficiency of organization and planning of foreign trade operations of the company, it is first of all appropriate to identify those countries that are attractive for further cooperation, to analyse the existing foreign trade operations and to allocate perspective directions of development. The main goal should be a thorough analysis of the system of international trade, the economic environment of the country where penetration will take place, and also it is necessary to take into account the political, legal and cultural peculiarities of its environment [21].

At this stage, it is necessary to notice that the investigated company sees as its main and attractive country for further cooperation – Czech Republic. This country represents main foreign market of the European Union, where PJSC GARMENT FACTORY «VORONIN» strives to increase its own positions. What's more, the company has already established trade relations with this country and the previous analysis of export operations' efficiency is the main evidence that the company has a great potential of achieving its goals on this market.

In order to ensure the competitiveness of the company in the foreign market, it is necessary to develop a strategy of foreign economic activity, that is, a single direction, which will take into account the internal capabilities of the company and the market conditions in which it has to function.

Such a strategy should be developed taking into account the following factors:

- definition of clear goals for entering a new market;
- the size and potential of the foreign market;
- problems that may arise due to the realization of corresponding product in a new market;
- prevalence of goods abroad and assessment of opportunities for further cooperation;
- market conjuncture, the presence of competitors, goods-analogues, etc.

An important factor in improving foreign trade operations is the assessment and analysis of the strengths and weakness of the company. Weakness will enable the company to identify the danger from the outside of the environment, and the strengths – to use the capabilities of the environment. Typically, a SWOT analysis of the company is conducted. It assesses the opportunities and threats of external market activity [28]. Here we propose to study the results of SWOT analysis of PJSC GARMENT FACTORY «VORONIN» (Figure 3.1.1).

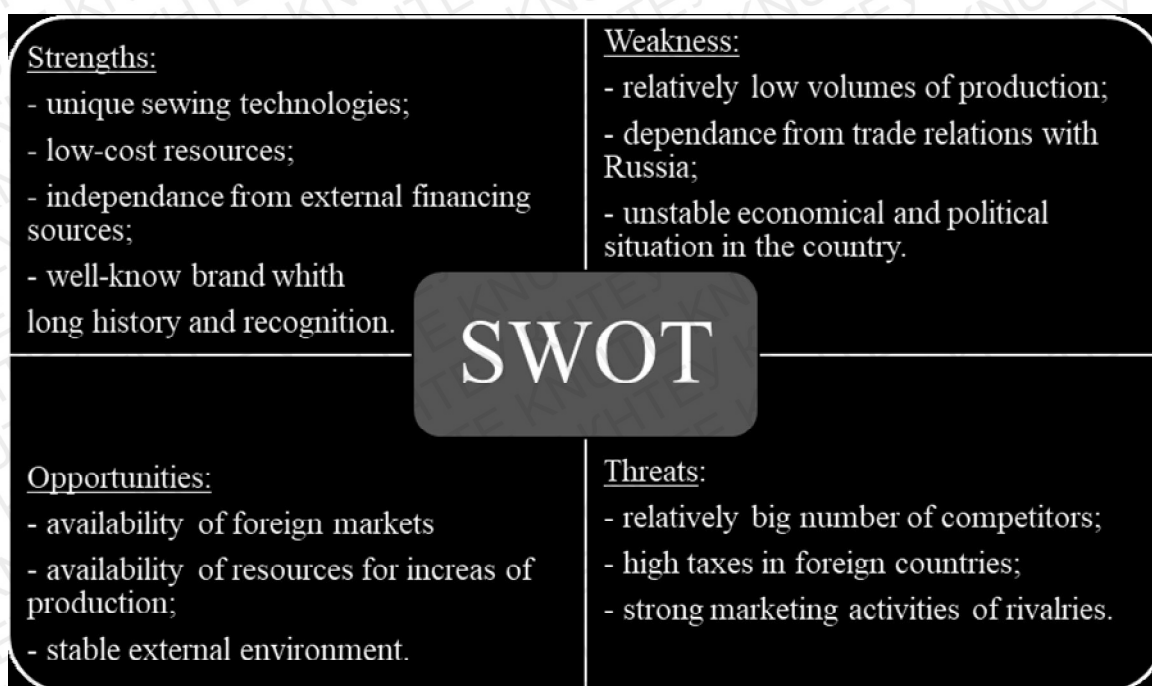


Figure 3.1.1. SWOT Analysis of PJSC GARMENT FACTORY «VORONIN»



Source: constructed by the author on the basis of studied information on company's activity [34].

The SWOT analysis allowed us to make some conclusions about company's strengths, weakness, opportunities and threats. To start with, we should investigate strengths of the company. Here we mentioned first, the unique sewing technology, which was invented by the first head of PJSC GARMENT FACTORY «VORONIN», Mychailo L'vovych Voronin. This technology is waistcoat method of tailoring a suit without specimens, which is now being studied and applied world-wide. Then, another strength of the company is relatively low-cost resources, although the company uses imported fabrics, but their prices are not as huge as compared to required resources for companies of other speciality. Next is independence from external financing sources means that the company tends not to involve bank credits and so on in its main activity and relies on its own working capital. And last is well-known brand. Brand «VORONIN» started its existence in 1985. The first foreign author's show took place in Hollywood, USA in 1989 where there were presented over 30 models. In 1990 there was the author's show in Vienna (Austria) at the United Nations Mission. Generally the brand was presented on different shows in more than 60 countries [34].

If we speak about the weakness of the company, they are not so harmful for company's overall activity, although they are the subjects for improving. Relatively low volumes of production may be the main problem for the company while searching for new partners abroad, though its current amount can provide stable activity for the company on present markets. Many company's partners are located in Russian Federation, which in today's conditions is regarded as negative trend because of negative and unstable political relations between two countries. The governments of both countries provide economic restrictions to trade relations between companies, which only makes the situation tenser and worth. Unstable economic situation within the country is considered as negative influence of inflation and buying power of citizens, which leads only to decrease in profits for the company.

Nevertheless, the company has strong opportunities. There are a lot of markets where the company is able to establish business relations and find partners. The company is able to increase its production, provided the management of the company establish new relations with foreign companies. Besides, the economic and political environment of European countries is comparatively stable, the buying power of people is high and the inflation ranks do not exceed normal values. Therefore the factors proves great opportunities for the company to expand its current relations with foreign partners and enter new foreign markets with its well-known brand products.

There are some threats though, which should be treated by the company's management at full responsibility. On the present foreign market in Czech Republic, there are a lot of other companies of the same industry, which also have some history behind their brands. Then, before the products of the company go on shelves, they are taxed, and tax rates are big, if compared to those applied to products of local companies. The present clothing companies in foreign markets may have already established marketing activities and measures, which provided the recognition and awareness of their products, so the company should focus on the same task very carefully in order not to remain unnoticed.

To conclude made SWOT analysis we may observe a great field of company's measures needed to be taken in order to realize its strengths at the expanse of opportunities taking into account threats and fighting weakness.

After analysing the company's strengths, weakness, opportunities and threats one needs to consider the issue of promotion techniques, which make an essential part of company's measures aimed at entering foreign markets or strengthening its positions on them. The active use of sales promotion techniques is today an effective and relatively inexpensive way to attract potential buyers. The incentive will help increase sales in a short period, bring the product to a new market, and support other promotion tools [28].

It should be emphasized that sales promotion is most effective when used in conjunction with advertising.

Specialists note that if a company seeks to implement an effective foreign economic policy, it is expedient, first of all, to improve the marketing component of its activities. To do this, one needs to implement the most effective, from the standpoint of experts, marketing activities, which are presented in figure below (Figure 3.1.2).

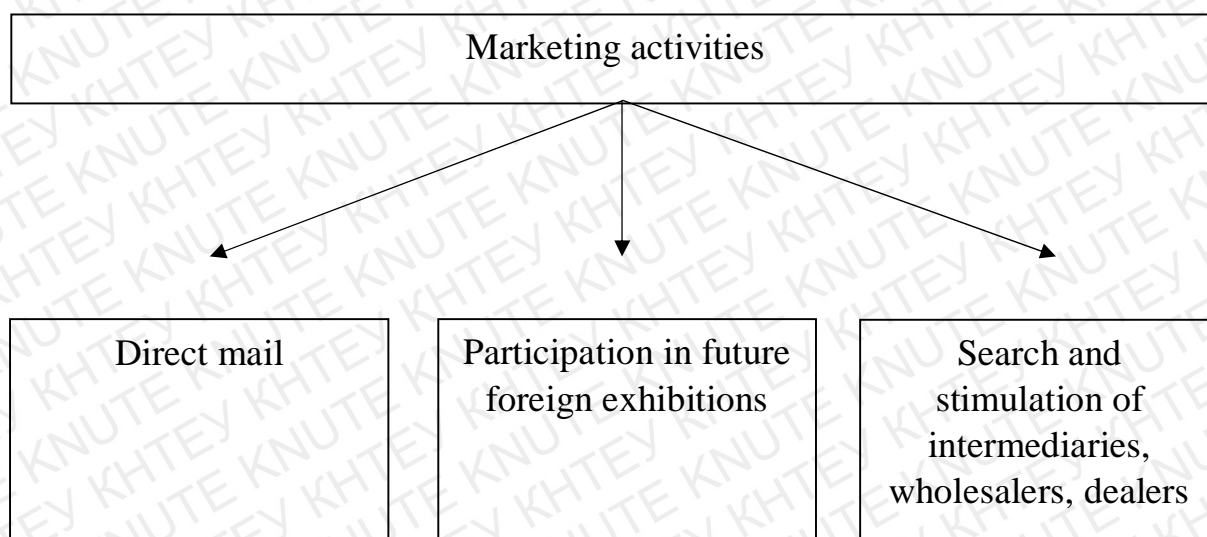


Figure 3.1.2. Market Activities

Source: constructed by the author on the basis of studied literature [28].

Direct Mail – is sending to potential partners of the company's promotional materials (list of goods with prices for them) in the form of business offers. Within the area of responsibility of managers, it is planned for them to visit the companies, which received business offers, by e-mail and ordinary mail, in order to receive preliminary orders. Managers, in this case, act as intermediaries between the company and partners, focusing on the benefits that will bring the partners a long-term contract with their business. Specialists note that this method of partner engagement is quite effective in identifying potential customers, as well as in establishing commercial links, collecting information about consumers, and interest in the product offered.

Participation in exhibitions involves the dissemination of the company's advertising materials to all visitors and exhibitors. Information about the company is on the informational stands of the organizers, in the exhibition catalogue, at the registration racks, and so on. This way of participating in professional foreign



exhibitions is the most suitable for relatively small companies. The fact that the cost of absentee participation in international exhibitions is much lower than stationary, and fully justifies spent on her money [28].

Search and stimulation of intermediaries, wholesalers, dealers deals with the organization of a distribution network or establishment of a joint venture abroad. It seems attractive, but complicated by problems with the choice of partner, overpricing (costs from the distributor are transferred to the final consumer), strategic differences with the new partner, problems in the distribution of profits (in this case formation of a joint venture). However, if the company decided to buy another company for penetration into the foreign market, or to create a joint venture, then in the long run it will make it easier to occupy a certain market niche.

In order to successfully accomplish its tasks, the company must develop various marketing strategies: coverage of markets and market segments, competitive strategies, strategies for entering new markets, entering markets with new products, target markets, market demand, commodity policies and other strategies. Their content largely depends on the overall strategy of the company, including in the field of foreign trade. The basis of planning the entering of the company in foreign markets is the choice of the optimal way of penetrating these markets.

Having arranged the access to foreign markets, the company can significantly improve the efficiency of foreign economic activity. However, it is necessary to know well the conditions of activity in a given country, its laws. On the basis of research, evaluation and selection of foreign markets, commodity, pricing, sales and other types of policies should be developed, that is, measures of the marketing complex included in the strategic marketing program [14].

So, to identify ways for improving efficiency of foreign trade operations of the company it is necessary:

- to analyse the dynamics of foreign trade operations development of the company;

- to investigate the rationality of the use of resources, interest in the products of the company in the foreign market;
- to study the problems of increasing the efficiency and development of foreign trade operations comprehensively;
- to identify perspective directions for improving the system of organization and planning of foreign trade operations at the company level;
- to improve organizational and economic measures in order to increase the competitiveness of export products;
- to assess the level and quality of the company's obligations under contracts with foreign partners, to examine the efficiency and benefits of such cooperation;
- to analyse methods of analytical evaluation of the efficiency of a separate export operation [14].

As can be seen, the range of possible areas for improvement of organization and planning of foreign trade operations of the company is quite wide. However, the company's top management needs to select the very directions that are most real and achievable among the variety of possible options for the development of foreign economic relations.

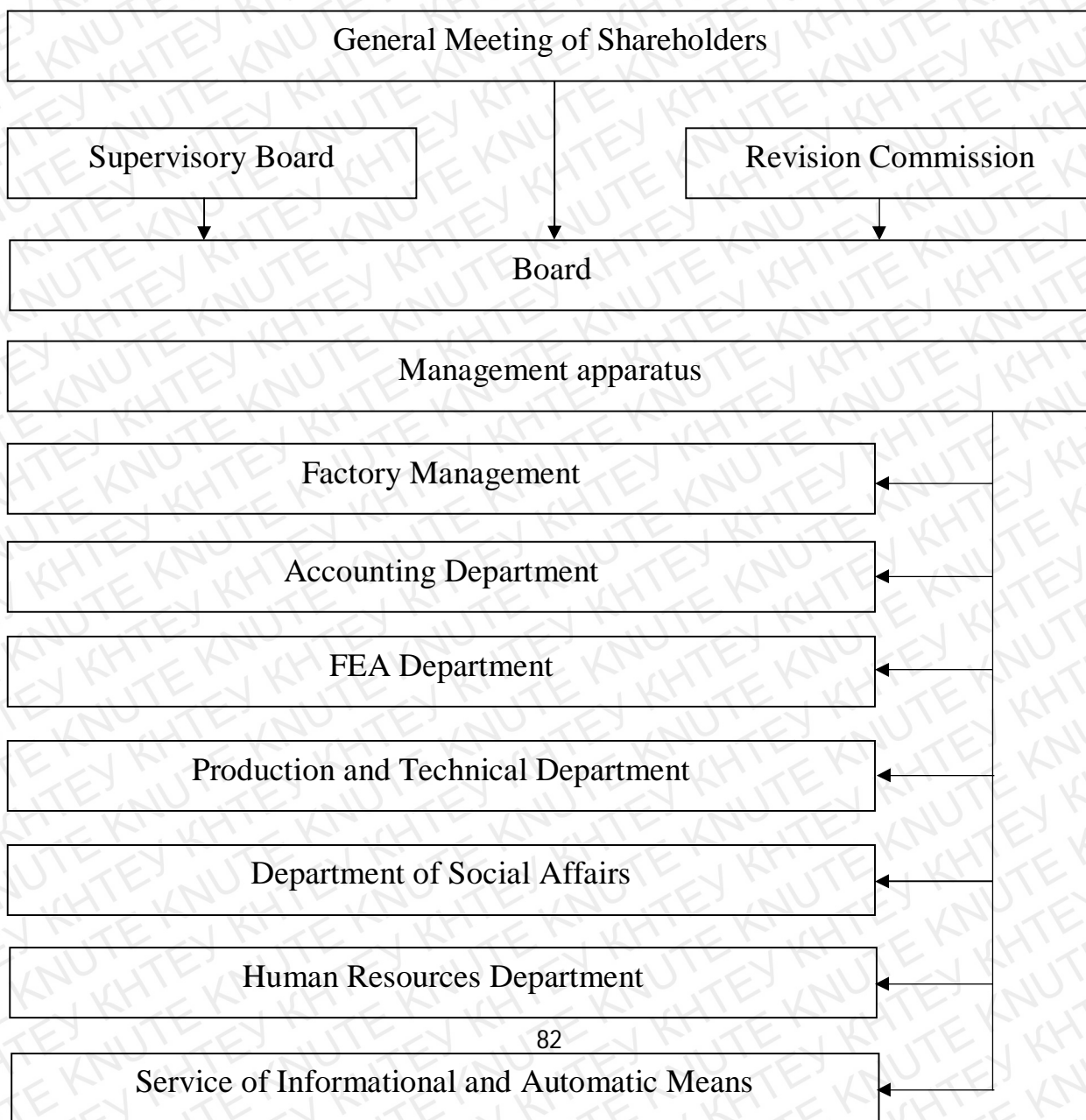
In this case, it is necessary to highlight a number of criteria, which should correspond to the ways of improving foreign trade operations. Such criteria are: increase in production volumes, ensuring growth of revenues from foreign exchange earnings, accelerating turnover of working capital, strengthening of competitive positions in selected markets and in selected regions, reducing production costs.

The most important criteria for the efficiency of choosing one or another way of improving the organization and planning of foreign trade operations of the company should be increased profitability of production and sales of products, as well as profit growth. Because, profit is the main final result of all areas of financial and economic activity and the main source of financial resources of the company [26].

Improvement of the company's mechanism of organization and planning of export activity should be carried out at the appropriate level with the help of corresponding legislative acts. One of the promising ways to improve the foreign trade operations of the company for the future is the construction of strategies for the development of medium and long-term production perspective.

### 3.2. Optimization of Organisational Structure of Foreign Trade Operations Management in PJSC GARMENT FACTORY «VORONIN»

First of all, before studying actual changes that could be done to FEA department of the investigated company let's consider the organisational structure of whole company (Figure 3.2.1).





### Figure 3.2.1. Organisational Structure of PJSC GARMENT FACTORY «VORONIN».

Source: constructed by the author on the basis of company's documentation.

The highest governing body of the company is the General Meeting of Shareholders, convened no less than once a year. Operational management is carried out by the Board, which consist of three persons. Supervision over the work of the Board is carried out by the Supervisory Board of 5 persons and the Revision Commission of 3 persons. The production structure of the factory consists of two technologically related workshops: pre-production and cutting production and a garment shop. In addition, an experimental workshop, a technical control service, a repair and technical service, a warehouse of finished products, and a fire and watch guard operate in the company. In the warehouse of the company (on its balance) are a dining room and a medical centre. The management of the company is conducted by the management apparatus that consists of: Factory Management, Accounting Department, FEA Department, Production and Technical Department, Human Resources Department, Department of Social Affairs and Service of Informational and Automatic Means (Figure 3.2.1). Each department has its own area of responsibilities and only in cooperation with each other all the departments are able to cope with its obligations to achieve company's objectives.

The main scientific interest for us from this organizational structure makes FEA department, the structure of which has already been presented (Figure 2.2.1). The responsibilities of each member of this department was described. Although, we need to concentrate on the changes that could be done to this department, what additional obligations will appear with made changes and what costs the company will bear.

We discussed earlier that in order to increase foreign trade operations, there should be done a complex of marketing measures and there is no person or

department in the company, who would be responsible for this type of research. As may be understood from previous analysis of company's foreign trade operations one can see the lack of export department with corresponding managers and assistants. So at this stage we consider the company to create export department which could perform various marketing services so that it can actively go after business [70].

Let's investigate what tasks could be performed by export department in order to improve organization and planning of foreign trade operations [55].

Functions of an Export department:

1. International marketing and promotion of company products (organization of trade shows, local media, social media, ecommerce website, mailing lists, foreign business directories, communicate with foreign chamber of commerce);
2. Participation in trade shows.
3. Participation in trade missions.
4. Answering foreign inquiries and follow up with customers.
5. Sending price quotes and (invoices)
6. Visiting foreign customers and establishing good business relations.
7. Communicating with foreign buyers on orders and shipments.
8. Preparing and sending commercial documents to importers of company goods (i.e. commercial invoice, bill of lading, certificate of origin).
9. Studying market trends and customers preferences. Communication with company engineering and design department on future trends in foreign markets.
10. Protecting the brand of the company.
11. Producing international marketing brochures and media that fits the target markets (language, culture, traditions).

The smallest export department may consist of export manger, shipping/logistic executive and accounts executive. All would conduct much of their business over the internet and communicate through e-mail. At first, the

department may be engaged merely in shipping orders secured by the sales organization, but as the export trade develops, the department will enlarge and have its own sales organization, attend to their shipment and collect payment (Figure 3.2.3).



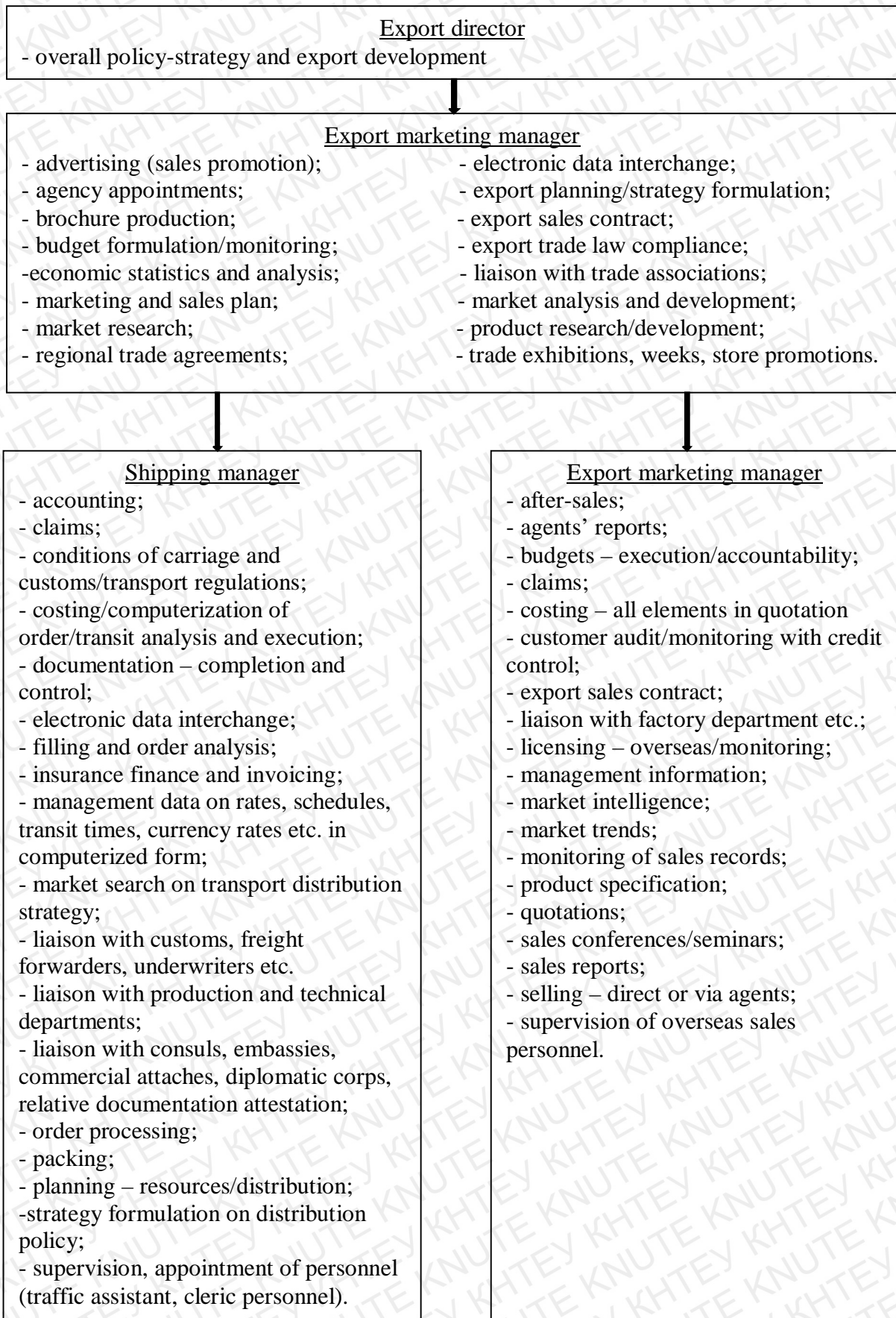


Figure 3.2.3. Export Department Job Description of Managerial Personnel.

Source: constructed by the author on the basis of studied literature [54]

The proposed department to overall organizational structure of PJSC GARMENT FACTORY «VORONIN» will also study the needs of different markets, their trends and likely future developments together with possible methods of increasing foreign sales. The export department will also have the task not only of obtaining and executing the export orders, but also of ensuring payment is received without undue delay in accordance with the terms of sale as prescribed in export contracts.

So now we need to calculate estimated costs, the company would bear, if such a department with such obligations would be created. Here we should calculate, first of all, the office furnishing. There are available rooms in PJSC GARMENT FACTORY «VORONIN» for organizing work office for the proposed department. So here the company will bear only those cost related with administrative expenses, which will increase insignificantly, as the office will not require spending of a great amount of power resources. What's more, the company will not need to pay rent charges as the main company's building is in ownership of the company. Main expenses will be connected with furnishing the office with:

- 1) working furniture (tables, cabinets, chairs, shelves etc.);
- 2) hardware;
- 3) software;
- 4) stationery.

Table 3.2.3

#### Office Expenses of Export Department

Item	Average cost
Working furniture	100 – 140 thous. UAH
Hardware	100 – 115 thous. UAH
Software	30 + 20 (annually)thous. UAH
Stationery	10 – 15 thous. UAH (annually)
Total / annual	250 – 300 / 30 – 35 thous. UAH

Source: constructed by the author on the basis of investigating current market.

Having analysed present Ukrainian market of furniture, we may say that the overall price of furniture for the office of 4 persons may estimate from 100 to 140 thous. UAH. Next we have to calculate overall costs, the company will bear to purchase office hardware (personal computers, printers, scanners etc.). The investigated market of electronics and calculations of relatively inexpensive hardware allowed obtaining the sum in between 100 – 115 thous. UAH. Software is an essential part of any hardware, as it is impossible to use any without each other. Here we should analyse services market of Ukraine, find probably a company, which will be responsible for maintaining office equipment. General expenses on software will be about 30 thous. UAH, and annual maintenance costs today approximately 20 thous. UAH for 4 working stations. And last, we calculate general expendables for appropriate work of the department which will be in ranks of 10 – 15 thous. UAH for annual provision.

The next stage of creating Export department within the company will be the search and hiring of competent staff. The proposed department of four people with different obligations should include one specialist from abroad, in our case, from Czech Republic. To our way of thinking, the foreign specialist should take the position of export marketing manager, who, together with his colleague, will work in close cooperation towards achieving main goals by the company. Here we should notice that hiring foreign specialist and providing him with decent wage, the company will bear additional expenses, because in order to keep him interested in working for our company, it should provide appropriate level of money rewards in comparison with those of European countries. The search in recruitment web sites showed that an average salary of proficient European manager should be about 648 thous. UAH annually. This price is relatively huge if compared to annual wage of the same but Ukrainian specialist, which will be about 180 thous. UAH per person, and 540 thous. UAH for the staff of 3 respectively. So overall spending for keeping team of professionals will cost the company 1188 thous. UAH annually, which will be considered as the most expensive department of the company.



Another type of expenses the company will bear for the overall annual activity of the department. As each member of the company performs his own obligations in his area of expertise, the operations require financing. Main operational expenses of the department will be connected with advertising, brochure production, organization of conferences/seminars/exhibitions, and participation in foreign trade shows or missions. The company's advertising should be done mainly through Internet resources as its products aimed at specific market segment. Advertising by means of Internet resources may involve creating personal internet site in foreign languages and maintaining it. There are a lot of techniques, used to succeed in this type of advertising [69].

Main type of improving advertising in Internet is website promotion. Website promotion is a set of measures to increase the attendance of a web resource by targeted visitors [69]. There exists more general idea of the promotion concept and its ultimate goal. According to it, the purpose of any promotion is a conversion. That is, the ratio of visitors to the site that made the expected action to all visitors (given in percentage terms). For instance, it could be the percentage of visitors to the online store from their total number made a purchase in it. The methods of website promotion have appeared relatively recently and continue to appear, constantly changing and replenishing with new variables. To attract visitors to the site, it is appropriate to use a variety of techniques, skilfully combining them and somewhere improvising.

The ways of website promotion and in turn, the promotion of company's products may be done in different ways, implicating different resources and their costs. The main promotion ways are as follows:

- search engine optimization (SEO) – promotion in a long list of links to webpages that could potentially be searched by customers on appropriate request;
- promotion by social media optimization (SMO) – the main task of this type of promotion is to increase the referral rating of the site and attract target audience from social networks by creating user-requested resources;

- social media marketing (SMM) – this is work on external platforms: blogs, forums, resources of instant messages, that is, in places of Internet communication. SMM Optimizer's task is to: create topics and communities, write messages, conceal advertisements, etc.;
- virus marketing – is one of the types of website promotion, in which the main distributors of information are the users themselves. The "virus" epithet is due to the speed of spreading information that grows in geometric progression;
- contextual advertising – placement on specially designated fields in the search engine issue of search system and on sites, advertising ad network: text and graphics - with a link to the resource.;
- image promotion – placing of a content on resource with unique graphic images with registered meta tags [69].

Each of the presented promotion techniques requires finding appropriate company, specialising in this type of advertising and decent financing. Investigated company has created its own web site although it has lack of translation into foreign languages. The translation may be provided by the export department personnel, so the company may save some money in order to invest them in promotion of its web site. Today, there are a lot of companies, specifically engaged in promoting web sites. But the prices for their services are not cheap. What's more, the company should spend money on promoting web site during certain period and to achieve the best results – annually. Each type of promotion requires certain amount of financing, depending whether the company wants to see the rapid change in Internet search trends. Having analysed Ukrainian market on this issue, it was established that average spending on site promotion, applying different tools for the best results will in between 50 – 75 thous. UAH. This type of advertising is considered by us as the most efficient for the company's products specifications.

To conclude all the above mentioned proposals to company's changes in organizational structure of the company it should be said that the costs for all of the

proposed measures were calculated and the total number for creating the department is 300 thous. UAH, and its annual functioning – 1238 thous. UAH.

### **3.3. Short and Mid-Term Efficiency Forecast Of Proposed Measures for PJSC GARMENT FACTORY «VORONIN»**

The efficiency of the organization and planning of foreign trade operations of the company is closely linked with the efficiency of its main activities – the sale of products in the international and domestic markets. Of particular interest in this work is the study of export activity of PJSC GARMENT FACTORY "VORONIN". In part 2, section 2.3, we assessed the efficiency of foreign trade operations and their actual organization and planning in the company, but taking into account the list of proposed changes, we consider it is necessary to estimate the forecast performance of the company.

In conditions market relations development, the efficiency of financial and economic activities of the company depends on financial planning, while, direct role is given to forecasting financial results of the company. The experience of developed countries suggests that predicting profits as an absolute final indicator of company's activity makes it possible to avoid significant miscalculations and associated losses. In order to neutralize the risk of non-profitability and improve financial and economic activity, it is necessary for the responsible managers of the company to monitor profit, which requires continuous analysis and forecasting. Therefore, it is very important to determine and apply the forecast model at the company level [15].

In case of forecast data absence, the company is inclined to wrong manoeuvres, which may lead to loss of positions on the markets, unstable financial and economic situation or even bankruptcy. The need for financial forecasting is reflected in the definition of financial analysis, as it is a process based on the study of the financial state of the company, the results of its past activity in order to assess future conditions and performance [15].



Forecasting the activity of the company is an assessment of the prospects and their development based on the analysis of the market conditions, changes in market conditions for the future period. The results of company business forecasting should be taken into account while making marketing programs for the company, in determining the possible amount of sales, expected changes in terms of sales and promotion of products.

In section 3.1. we proposed the recommendations for improving the organization and planning of foreign trade operations of the company. In next section we analysed what changes should be done to the company's organizational structure in order to apply all the proposed recommendations and techniques towards improving results of foreign trade operations of the company. All the proposed measures were also calculated in relation to expenses the company would probably bear, and they estimated about 1238 thous. UAH. This amount of financing may be difficult for the company for the first periods, that is why, we propose for the company's management to consider the variant of implicating bank credit or other type of external financing for short and middle term perspective. It is also supposed that, provided the proposed changes bring positive results to company's profit from foreign trade operations, the company will be able to pay all its debts in short period and as quickly as possible, as we observed positive trends of company's dealing with its liabilities in part II of this paper.

Now it is necessary to carry out the forecasting of the results of the company's foreign trade operations, initially without taking into account the proposed measures (Table 3.3.1) and then compare them with obtained results considering recommended improvements to company's organizational structure, namely the creation of export department. The respective department would be responsible for successful implementation of proposed measures of increasing the number of foreign trade and if obtained results turn out to be successful, we may state that proposed changes could be effective and useful for the top management of the company.

The forecast data will be based on probable results of the increase in company's foreign trade operations, mainly at the expense of current presence of the company on the EU market. The obtained values after calculations may be the subject of further improvement by company's management or other staff competent in this field of research.

Table 3.3.1

Forecast of Efficiency Indicators Without Taking into Account Proposed Measures

Indicators	Previous	Forecast			Absolute deviation			
	2018	2019*	2020*	2021*	2019/ 2018	2020/ 2019	2021/ 2020	2021/ 2018
Net profit from export	10698000	11023000	10981000	11013500	325000	-42000	32500	315500
Cost of finished products	10124500	10453000	10461000	10493500	328500	8000	32500	369000
Spending FCA (Prague)	227000	230500	235800	238500	3500	5300	2700	11500
loading	56750	57625	58950	59625	875	1325	675	2875
transportation to main carrier	170250	172875	176850	178875	2625	3975	2025	8625
Total cost of finished products	10351500	10683500	10696800	10732000	332000	13300	35200	380500
Effect from export	346500	339500	284200	281500	-7000	-55300	-2700	-65000
Coefficient of export efficiency	1.526	1.473	1.205	1.180	-0.05	-0.27	-0.02	-0.35

Source: constructed by the author

In the table one can observe negative trend of decrease in both effect from export and coefficient of export efficiency. This is due to the fact that provided the company don't manage to find new markets or expand its activity on the present ones, the main internal market of the company will become too saturated with company's own products. As the company's foreign operations depend mainly on overall financial and economic activity of the company, the decrease in domestic market will bring the same to production scale. This, in turn, will bring negative

changes to foreign trade operations that will lead to forecasted results (Table 3.3.1).

After investigating the reserves and proposed measures to optimize the organizational structure of the company, we proposed to use the measures of the product development strategy in conjunction with the sales promotion strategy that included significant spending on organization of a new export department, hiring specialists, one from abroad, and enabling department functionality. Proposed measures considered significant increase in foreign trade operations number on the present foreign market of Czech Republic. Here we propose to study the forecasted results, taking into account our recommendations and spending, which the company should bear for their implementation (Table 3.3.2).

Table 3.3.2

Forecast of Efficiency Indicators Taking into Account Proposed Measures

Indicators	Previous	Forecast			Absolute deviation			
	2018	2019*	2020*	2021*	2019/ 2018	2020/ 2019	2021/ 2020	2021/ 2018
Net profit from export	10698000	13907400	14936200	15017400	3209400	1028800	81200	4319400
Cost of finished products	10124500	10428235	11457035	11538230	303735	1028800	81195	1413730
Spending:	227000	1532025	1524697	1527772	1305025	-7328	3075	1300772
loading FCA (Prague)	56750	73493.75	72612.5	73289.5	16744	-881	677	16540
transportation FCA (Prague)	170250	220481.3	205784.5	205532.5	50231	-14697	-252	35283
on proposed measures	0	1238050	1246300	1239950	1238050	8250	2650	1248950
Total cost of finished products	10351500	11960260	12981732	13066002	1608760	1021472	84270	2714502
Effect from export	346500	1947140	1954468	1951398	1600640	7328	-3070	1604898
Coefficient of export efficiency	1.526	1.271	1.282	1.291	-0.255	0.011	-0.005	-0.249

Source: constructed by the author

General forecast of efficiency indicators considering the proposed measures showed positive trend of increase especially in effect from export. Nevertheless,



the coefficient of export efficiency does not seem to change positively if compared to previous periods. Although, if company is considered to be successful in conducting foreign trade operations, normative values of the respective coefficient are in between 1,0 – 1,5. Therefore we may state that even the coefficients are changed negatively, they show normative values, and the company's effect from proposed measures is expected to result in profit.

In order to be more accurate with calculations we propose to investigate the same changes in efficiency coefficients but this time separately for each product group.

Table 3.3.3

Efficiency Indicators Forecast For Men's Suits Taking into Account  
Proposed Measures

Indicators	Previous	Forecast			Absolute deviation			
	2018	2019*	2020*	2021*	2019/ 2018	2020/ 2019	2021/ 2020	2021/ 2018
Net profit from export	7915430	9804717	9783211	10286919	1889287	-21506	503708	2371489
Cost of finished products	7491099	7351906	7504358	7903688	-139193	152452	399330	412589
Spending:	166956.9	1070078	1004677	1048524	903121	-65402	43848	881567
loading FCA (Prague)	40989.22	41813.47	53561.15	58368.49	824	11748	-1358	11214
transportation FCA (Prague)	125967.7	155439.3	134788.8	140789.8	29472	-20650	6001	14822
on proposed measures	0	872825.3	816326.5	849365.8	872825	-56499	39204	855531
Total cost of finished products	7658056	8421984	8509034	8952212	763928	87051	443177	1294156
Effect from export	257374.7	1382733	1274177	1334707	1125359	-108557	60531	1077333
Coefficient of export efficiency	1.542	1.292	1.268	1.273	-0.25	-0.029	0.005	-0.269

Source: constructed by the author

The forecast of efficiency indicators for men's suits shows us positive results. The main feature of such results is the increase in effect from export operations that makes general profit for company from exporting this product

group. Nevertheless, one may observe that the change in coefficient of export efficiency is negative. This is due to the fact, that increased production requires also significant increase in expenses related to its distribution and, most importantly, financing the recommended measures. This product group is supposed to remain company's main product group, and the share of it will be still more than 65% (Table 3.3.3).

Now, we need to move on with the analysis of next product group.

Table 3.3.4

Forecast of Efficiency Indicators For Men's Jackets Taking into Account Proposed Measures

Indicators	Previous	Forecast			Absolute deviation			
	2018	2019*	2020*	2021*	2019/ 2018	2020/ 2019	2021/ 2020	2021/ 2018
Net profit from export	1074774	1460277	1717663	1426653	385503	257386	-291010	351879
Cost of finished products	1017158	1094965	1317559	1096132	77807	222594	-221427	78974
Spending:	22905.55	161862.2	176340.2	144283.3	138957	14478	-31202	122233
loading FCA (Prague)	5801.386	8716.419	9350.483	6962.503	2915	634	-2388	1161
transportation FCA (Prague)	17104.16	23150.53	23665.22	19525.59	6046	515	-4140	2421
on proposed measures	0	129995.3	143324.5	117795.3	129995	13329	-24674	118650
Total cost of finished products	1040063	1256827	1493899	1241270	216764	237072	-252629	201207
Effect from export	34711.15	203450.1	223763.8	185382.8	168739	20314	-38381	150672
Coefficient of export efficiency	1.515	1.257	1.269	1.291	-0.258	0.012	0.008	-0.238

Source: constructed by the author

The presented product group may probably lose its share from overall foreign trade operations, as we may see from the table (Table 3.3.4) all the parameters and indicators decrease in value during proposed short and middle term perspective. The main reason for relatively negative tendency is the increase in share of other products of the company, which will be shown later. Although, if we

compare the effect from export in 2021 with the same parameter but of 2018, we may observe increase, which again may prove the efficiency of proposed measures towards optimization of organizational structure of the company and its spending on marketing programs and general export strategy reconsideration.

Men's jackets themselves require additional expenses on other clothing accessories, which make this product group not as popular as previous. Although men's jackets separately gives the potential customers the ability to create their own style, and in this way be unique, which is very important feature taking into account target audience and market segment.

Table 3.3.5

Forecast of Efficiency Indicators For Men's Trousers Taking into Account Proposed Measures

Indicators	Previous	Forecast			Absolute deviation			
	2018	2019*	2020*	2021*	2019/ 2018	2020/ 2019	2021/ 2020	2021/ 2018
Net profit from export	1589363	1599351	1867025	1576827	9988	267674	-290198	-12536
Cost of finished products	1504160	1199247	1432129	1211514	-304913	232882	-220615	-292646
Spending:	33724.6	178182.9	192587.1	160616.1	144458	14404	-31971	126892
loading FCA (Prague)	8431.1	10451.81	11076.54	8840.438	2021	625	-3181	-536
transportation FCA (Prague)	25293.4	25355.34	25723.06	21580.91	62	368	-4142	-3712
on proposed measures	0	142375.8	155787.5	130194.8	142376	13412	-24648	131140
Total cost of finished products	1537885	1377430	1624716	1372130	-160455	247287	-252586	-165755
Effect from export	51478.2	221921.1	242308.5	204696.8	170443	20387	-37612	153219
Coefficient of export efficiency	1.526	1.245	1.258	1.274	-0.281	0.013	0.016	-0.252

Source: constructed by the author

This product group shows the least changes that would probably happen, provided the application of proposed measures. Nevertheless, the total share of this product in overall foreign trade operations will remain almost unchanged without



losing as much as previous position. It may explained by the reason, that customers seem to buy men's trousers separately more often than previous product group, as on the daily basis you can go without jacket but not trousers. This simple example may be useful, as it shows the importance of understanding demeanour of target audience. Although, if we compare the effect from import with that value of 2018 we may observe increase in effect, that bring positive change in company's profit (Table 3.3.5).

Table 3.3.6

Forecast of Efficiency Indicators For Men's Coats Taking into Account Proposed Measures

Indicators	Previous	Forecast			Absolute deviation			
	2018	2019*	2020*	2021*	2019/ 2018	2020/ 2019	2021/ 2020	2021/ 2018
Net profit from export	118432.4	1043055	1568301	1727001	924623	525246	158700	1608569
Cost of finished products	112083.5	782117.6	1202989	1326896	670034	420871	123908	1214813
Spending:	2513.01	114701.9	159593.2	173693.8	112189	44891	14101	171181
loading FCA (Prague)	628.25	5312.056	7124.328	7463.313	4684	1812	-696	5800
transportation FCA (Prague)	1884.76	16536.09	21607.37	23636.24	14651	5071	2029	21751
on proposed measures	0	92853.75	130861.5	142594.3	92854	38008	12768	143629
Total cost of finished products	114596.5	896819.5	1362582	1500590	782223	465762	138008	1385994
Effect from export	3835.93	146235.5	205719.1	226410.8	142400	59484	20692	222575
Coefficient of export efficiency	1.526	1.275	1.289	1.304	-0.252	0.014	0.014	-0.223

Source: constructed by the author

More drastic changes are expected to happen to men's coats product group. In the table (Table 3.3.6.) one can observe the best change in coefficient of export activity. This is due to the fact that this product group is relatively new to the company and it has shown positive tendencies and growing customers' interest in it. This fact should be very important for the company as a positive sign not only in

new product's total share increase but as general prove of customers' interest in new clothing and other accessories on both foreign and domestic markets. That is why it is expected that the growing production number of men's coats will be increasing during several reporting periods.

Having analysed the efficiency forecast of each product group, we may state that the proposed changes to company's organizational structure and in ways of organization and planning of foreign trade operations should be successful.

### **CONCLUSIONS TO PART 3**

During the research, the reserves for improving organization and planning of foreign trade operations of PJSC GARMNET FACORTY «VORONIN» were defined. The complex of measures aimed at strengthening company's positions on the foreign markets through using different marketing tools was described.

Having analysed the organizational structure of the investigated company, it was established that there are no appropriate department in the company, which could be engaged in facilitating proposed measures towards improving company's activity on foreign markets. The creating of export department was suggested in order to optimize organizational structure of PJSC GARMNET FACORTY «VORONIN» for increased cooperation with potential partners on foreign markets. The expenses related to creation of such a department and its annual functioning were determined. The costs for all of the proposed measures were calculated and the total number for creating the department is 300 thous. UAH, and its annual functioning – 1238 thous. UAH.

Short and middle term efficiency forecast of proposed measures for PJSC GARMENT FACTORY «VORONIN» was conducted. The importance of such an analysis of corresponding measures was determined. The calculation of indicators and coefficients were presented in form of tables and appropriate conclusions about the efficiency of proposed changes in company's ways of improving organization and planning of foreign trade operations were made.

It should be generalized that the company has all the necessary financial resources to embrace all of the proposed measures for improving its overall activity on foreign markets. It was defined that the most efficient ways for strengthening company's positions on foreign markets are those, related with application of new marketing technologies, mainly by means of the Internet. The expenses for using new marketing tools were estimated as satisfactory and the effect of proposed measures for short and mid-term perspective was evaluated as positive.



## CONCLUSIONS AND PROPOSALS

Theoretical and methodological research principals of organization and planning of company's foreign trade operations were studied. The essence and features of organization and planning of company's foreign trade operations were explained. The organization and planning of foreign trade operations consists of several procedures related to internal and external environment of the company. Then, the settlement forms used in foreign trade operations were determined. The most frequently used settlement forms are: advance payment, bank transfer, a letter of credit and collection. The choice of corresponding settlement form derives from the conditions of foreign trade contract. The importance of choosing correct export strategy according to company's objectives on foreign markets was notice. The tasks, the manager of foreign economic activity should accomplish for implementing appropriate strategy, were analysed. General list of main export strategies, proposed by several scientists, and their main features were given.

Regulatory and legal framework of foreign trade operations control of the company was analysed. The system of legislation on foreign economic activity includes acts of supreme legal force, decrees of the President of Ukraine, governmental acts, departmental regulatory and legal acts and special part. It was established that the integration of Ukraine into world social and economic space requires the harmonization of the domestic legislative framework of foreign economic activity with the relevant norms of legislation of other countries.

Methodological approaches for the assessment of the organization and planning efficiency of the company's foreign trade operations were studied. It was established that today there are a lot of different opinions about efficiency indicators of foreign economic activity, but its main criterion is the maximum obtaining of net income from export operations. Several indicators of export operations efficiency were proposed and the ways of their calculations were explained. Another way of assessing the efficiency of organization and planning of

company's foreign trade operations is the analysis of its competitiveness in terms of competitive advantages. The types of competitive advantages and their descriptions were provided.

The analysis of business activity and foreign trade operations of PJSC GARMENT FACTORY «VORONIN» were carried out. First step of the analysis included investigation of financial and economic activity of respective company. In it we conducted:

- financial results analysis of company activity;
- company's liquidity analysis;
- financial sustainability analysis of the company;
- profitability analysis of the company;
- business activity analysis of the company.

The conducted analysis allowed us to conclude that the company is profitable, and the only unprofitable year during investigated period was 2014. The net capital of the company proves the possibility of the company to expand its area of activity. Some parameters were better compared to last reporting year, but generally, all the ratios are not less than recommended.

Then of foreign trade operations of PJSC GARMENT FACTORY «VORONIN» were analysed. Here we studied the organisational structure of foreign economic activity department of the company, which consisted of head of FEA department, Deputy Head of FEA department, Economist of FEA department and Protocol Office. The responsibility circle of each member of the department was explained. The actual procedures related to foreign trade operations of the company were investigated. Foreign operations themselves in terms of product group, market share and geographical structure were analyzed. Their results showed that the company is in need of making new partners in the EU as the relations with its current partners showed the trend to become tense during the last reporting periods.

The efficiency of organization and panning of foreign trade operations within business activity of PJSC GARMENT FACTORY «VORONIN» was

evaluated. The indicators of export efficiency in terms of each product group were calculated and analysed. The results showed that the company managed to withstand negative economic and political influence of 2013-2014 years and now is in search of new foreign partners. Uniqueness of company's products is the main competitive advantage that will provide favourable positions on foreign markets as the company has long history and its name is famous worldwide.

Ways for improving organization and planning of foreign trade operations of PJSC GARMENT FACTORY «VORONIN» were studied. First, we defined the reserves for improving organization and planning of foreign trade operations of the company. Here we determined that the main market for the company to expand on is Czech Republic. Then, we conducted SOWT analysis in order to define company's strengths and weakness, opportunities and threats. The results of it proved that there are measures needed to be taken in order to realize company's strengths at the expense of opportunities taking into account weakness and fighting threats. The tasks, concerning improving organisation and planning of company's foreign trade operations were defined.

The optimization of organisational structure of foreign trade operations management of the company was considered. It was proposed to create an export department in company in order to implicate all the recommended measures concerning improving organisation and planning of foreign trade operations. The responsibilities, tasks and objectives for the export department were determined. The costs related to creation of such a department and its annual functioning were calculated. The main measures of marketing complex were defined and calculated. Internet promotion of products of the company was regarded as the most important marketing tool of company's marketing policy, and the ways of its implementing and cost related to it were analysed.

Short and mid-term efficiency forecast of proposed measures for PJSC GARMENT FACTORY «VORONIN» was conducted. The influence of proposed measure on the results of foreign trade operations were analysed within each



product group. The calculations showed overall increase in company's effect from export almost in five times if compared to current results.

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## APPENDICIES

### Appendix A

#### Consolidated statement of financial position of PJSC GARMENT FACTORY «VORONIN»

Asset, thous. UAH	Code	On 31.12				
		2013	2014	2015	2016	2017
1	2	3	4	5	6	7
<b>I. Fixed assets</b>						
Intangible assets	1000	25	3	2	1	1
- purchase value	1001	149	149	149	117	117
- accumulated amortization	1002	124	146	147	116	116
Property, plant and equipment:	1010	53423	52912	52111	51159	3456
- purchase value	1011	54458	55046	55429	55700	29062
- depreciation	1012	1035	2134	3318	4541	25606
Investment property:	1015	2951	2932	2905	2885	0
- initial cost	1016	2990	2997	2997	3004	0
- depreciation	1017	39	65	92	119	0
- other financial investments	1035	1	1	1	0	0
<b>Total fixed assets</b>	<b>1095</b>	<b>56400</b>	<b>55848</b>	<b>55019</b>	<b>54045</b>	<b>3457</b>
<b>II. Current assets</b>						
Inventories	1100	8017	8623	9452	11237	11461
Trade accounts receivable	1125	3909	6202	12467	12190	4245
Accounts receivable for settlements						
notes receivable	1130	469	389	252	904	635
with budget	1135	0	0	124	59	0

End of the Appendix A

1	2	3	4	5	6	7
including income tax	1136	0	0	124	59	0
Other accounts receivable	1155	68	0	0	0	0
Cash and cash equivalents	1165	2786	2330	435	2598	1518
Deferred charges	1170	0	0	0	0	22
Other current assets	1190	0	79	124	131	74
Total current assets	1195	15249	17623	22854	27119	17955
Total assets	1300	71649	73471	77873	81164	21412



**Consolidated statement of financial position of PJSC GARMENT FACTORY  
«VORONIN»**

Equity and liabilities, thous. UAH	Code	On 31.12				
		2013	2014	2015	2016	2017
<b>I. Equity</b>						
Shareholders' equity	1400	351	351	351	351	351
Additional paid-in capital	1410	0	0	0	0	0
Reserve capital	1415	183	183	183	183	183
Retained earnings	1420	55936	56724	54474	54784	14854
<b>Total equity</b>	<b>1495</b>	<b>56470</b>	<b>57258</b>	<b>55008</b>	<b>55318</b>	<b>15388</b>
<b>II. Long-term liabilities and provisions</b>						
Deferred tax liabilities	1500	7758	9047	9047	9017	0
Long-term provision	1520	693	0	0	0	0
<b>Total long-term liabilities</b>	<b>1595</b>	<b>8451</b>	<b>7957</b>	<b>9047</b>	<b>9017</b>	<b>0</b>
<b>III. Short-term liabilities</b>						
Amounts owed to credit institutions	1600	0	0	0	0	0
<b>Current liabilities</b>						
accounts payable for goods, services and works	1615	4471	5195	3167	6913	2604
payments to the budget	1620	651	1000	433	682	740
budget settlements	1621	101	6	0	0	0
social insurance	1625	400	384	461	395	336
remuneration	1630	774	818	939	881	1136
received advanced payments	1635	383	86	16	1572	15
Amounts owed to subsidiaries and related companies	1640	5	5	5	5	5
Provisions	1660	0	749	611	815	1077
Other short-term liabilities	1690	44	19	8186	5566	111
<b>Total short-term liabilities</b>	<b>1695</b>	<b>6728</b>	<b>8256</b>	<b>13818</b>	<b>16829</b>	<b>6024</b>
<b>Total equity and liabilities</b>	<b>1900</b>	<b>71649</b>	<b>73471</b>	<b>77873</b>	<b>81164</b>	<b>21412</b>

## Consolidated statement of comprehensive income of PJSC GARMENT

## FACTORY «VORONIN»

Item	Code	Amount, thous. UAH				
		2013	2014	2015	2016	2017
Net revenue (proceeds) from products sale (goods, work, services)	2000	41431	32393	44107	47023	46632
Cost of sales	2050	-36303	-30308	-38342	-39372	-40498
Gross profit	2090	5128	2085	5765	7651	6134
Other operating income	2120	3673	4516	3049	1648	2343
Administrative expenses	2130	-5845	-5409	-5952	-5783	-6230
Distribution costs	2150	-820	-633	-839	-880	-906
Other operating charges	2180	-987	-1712	-1592	-1918	-1177
Earnings before interest and taxes	2195	1149	-1153	431	718	164
Interest receivable	2220	0	0	0	0	0
Other revenues	2240	6	7	14	20	35
Interest payable	2250	0	0	0	0	0
Other charges	2270	-39	-2	-13	0	0
Earnings Before Taxes	2295	1116	-1148	433	747	218
Income-tax	2300	-328	-1102	-65	-147	-59
Net income	2350	788	-2250	368	600	159

## Dynamics of assets structure of PJSC GARMENT FACTORY «VORONIN» in 2013-2017, %

ASSETS	Code	Part, %					Absolute deviation, %			
		2013	2014	2015	2016	2017	2014/2013	2015/2014	2016/2015	2017/2016
I. Non-current assets:										
Intangible assets:	1000	0,02	0,00	0,00	0,00	0,02	-0,02	0,00	0,00	0,01
- initial value	1001	0,27	0,27	0,24	0,41	3,65	0,00	-0,02	0,16	3,24
- accumulated depreciation	1002	0,24	0,26	0,24	0,40	3,64	0,02	-0,02	0,16	3,23
Fixed assets:	1010	94,73	94,73	94,69	94,98	99,98	0,00	-0,04	0,29	5,01
- initial value	1011	97,56	99,65	101,89	147,41	901,94	2,09	2,25	45,51	754,53
- depreciation	1012	2,82	4,92	7,21	52,43	801,95	2,09	2,29	45,22	749,52
Investment property	1015	5,24	5,26	5,31	5,02	0,00	0,02	0,04	-0,29	-5,02
Other financial investments	1035	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total for section I	1095	77,35	73,25	68,58	56,06	15,12	-4,09	-4,68	-12,52	-40,94
II. Current assets:										
Inventories	1100	50,62	44,65	41,40	50,36	65,66	-5,97	-3,25	8,96	15,31
Receivables on products, goods, works and services	1125	30,76	46,12	49,34	36,46	20,28	15,36	3,22	-12,88	-16,18
Receivables on settlements: the advance payments	1130	2,61	1,58	2,31	3,41	3,89	-1,03	0,73	1,10	0,47
from budget	1135	0,00	0,31	0,37	0,13	0,00	0,31	0,06	-0,24	-0,13
including income tax	1136	0,00	0,31	0,37	0,13	0,00	0,31	0,06	-0,24	-0,13
Other current receivables	1155	0,21	0,00	0,00	0,00	0,00	-0,21	0,00	0,00	0,00
Cash and cash equivalents	1165	15,56	6,83	6,07	9,13	9,60	-8,73	-0,76	3,06	0,47
Deferred expenses	1170	0,00	0,00	0,00	0,05	0,12	0,00	0,00	0,05	0,07
Other current assets	1190	0,24	0,50	0,51	0,45	0,51	0,26	0,01	-0,06	0,05
Total current assets	1195	22,65	26,75	31,42	43,94	84,88	4,09	4,68	12,52	40,94
III. Fixed assets, holdings for sale, and retirement groups	1200	-	-	-	-	-	-	-	-	-
Total	1300	100	100	100	100	100	-	-	-	-



## Dynamics of liabilities structure of PJSC GARMENT FACTORY «VORONIN»

LIABILITIES	Code	Part, %					2014/2013
		2013	2014	2015	2016	2017	
I. Owner's equity							
Registered capital	1400	0,62	0,63	0,64	0,99	2,27	0,01
Reserve capital	1415	0,32	0,33	0,33	0,52	1,18	0,00
Retained profit (uncovered loss)	1420	99,06	99,05	99,03	98,49	96,55	-0,01
Total for section I	1495	78,37	74,18	69,37	68,93	72,98	-4,19
II. Long-term liabilities and provisions							
Deferred tax liabilities	1500	95,78	100,00	100,00	100,00	-	4,22
Long-term provision	1520	4,22	0,00	0,00	0,00	-	-4,22
Total for section II	1595	11,31	11,24	11,36	8,79	0,00	-0,07
III. Current liabilities and provisions							
Current debts for: goods, work, services	1615	64,51	37,88	32,89	41,64	34,83	-26,63
- payments to the budget	1620	11,02	6,49	3,64	6,22	15,81	-4,53
- including income tax	1621	0,71	0,03	0,00	0,00	0,00	-0,69
- insurance settlements	1625	5,23	3,83	2,79	3,20	5,97	-1,40
- paying of wages	1630	10,62	7,96	5,94	8,83	20,81	-2,67
- received advance payments	1635	3,13	0,46	5,18	6,94	0,21	-2,67
- settlements with parties	1640	0,07	0,05	0,03	0,04	0,09	-0,02
Current provisions	1660	5,00	6,16	4,65	8,28	20,73	1,16
Other current liabilities	1690	0,42	37,17	44,87	24,84	1,55	36,75
Total for section III	1695	10,33	14,59	19,27	22,28	27,02	4,26
IV. Liabilities associated with non-current assets deducted for sale and disposal groups	-	-	-	-	-	-	-
Total	1900	100	100	100	100	100	-