

**Kyiv National University of Trade and Economics**  
**Hotel and Restaurant Business Department**

**FINAL QUALIFYING PAPER**

**on the topic:**

**«ECONOMIC STRATEGY AT CAFE «PALERMO»,  
SLOVYANSK, DONETSK REGION»**

Student of the 2<sup>th</sup> year, group 2am,  
Field of study 073  
«Management»  
Specialization  
«Hotel and Restaurant management»

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Kyiv National University of Trade and Economics  
Hotel and Restaurant Business Department  
Field of study 073 «Management»  
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Approved by  
Head of the Hotel and Restaurant  
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on \_\_\_\_\_, \_\_\_\_\_ 2018 year.

**TASK**  
**For a final qualifying paper**

**ANZHELIKA E. POPOVA**

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**1. Topic of the final qualifying paper:**

Economic Strategy at cafe «Palermo», Slovyansk, Donetsk region

Approved by the Rector's order from October 17, 2017 year № 3330

**2. Term of submitting by a student her terminated paper:** 01.11.2018.

**3. Initial data of the final qualifying paper:**

*Purpose of the paper:* define economic strategy, describe some of the reasons why firms develop economic strategies, identify and describe different types of economic strategies, and assess the advantages and disadvantages associated with each.

*Object of the research is* the process of formation and functioning of the economic management mechanism enterprises of restaurant business.

*Subject of the research is* theoretical, methodological, and practical principles of forming economic strategy in cafe «Palermo».

**4. Illustrative material: Figures:** «The ratio of the number of employees of various departments of the restaurant», «A fragment of the organizational structure of the restaurant business of the restaurant complex», «Structure and dynamics of income and profits of restaurant complex for 2015 – 2017», «Dynamics and structure of current expenses of the restaurant complex in 2015-2017».

## **5. Contents of a final qualifying paper:**

INTRODUCTION

PART 1. THE THEORETICAL AND METHODOLOGICAL BASES OF ECONOMIC STRATEGIES

1.1. Contemporary theories of economic strategy

1.2. The essence of economic strategy as a function of personnel management

1.3. Types of economic strategies

Conclusion to the 1<sup>st</sup> part

PART 2. RESEARCH OF EXISTING STRATEGY FOR RESTAURANT DEVELOPMENT OF CAFE «PALERMO», SLAVYANSK

2.1. General characteristics of functioning cafe «Palermo»

2.2. Analysis of economic efficiency of activity cafe «Palermo»

2.3. Strategic orientation research restaurant of the cafe «Palermo»

Conclusion to the 2<sup>nd</sup> part

PART 3. WAYS OF IMPROVEMENT ECONOMIC STRATEGIES OF CAFE «PALERMO»

3.1 Development of economic strategy for restaurant development

3.2. The prediction of the success of the economic strategy in restaurant

Conclusion to the 3<sup>rd</sup> part

CONCLUSIONS AND SUGGESTIONS

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APPENDICES



**6. Time schedule of the paper:**

No	Stages of a final qualifying paper	Terms of a final qualifying paper	
		de jure	de facto
1	Selection and approval of the final qualifying paper's topic	01.09.2017-31.10.2017	01.09.2017-31.10.2017
2	Ranging and approval of the paper's tasks	01.11.2017-31.12.2017	01.11.2017 - 31.12.2017
3	Writing of the 1 <sup>st</sup> part of final qualifying paper	02.01.2018-11.05.2018	02.01.2018-11.05.2018
4	Defense of the 1st part of the final qualifying paper in scientific adviser	14.05.2018-18.05.2018	14.05.2018-18.05.2018
5	The creating of the scientific article	18.05.2018	18.05.2018
6	Writing and previous defense of the 2 <sup>nd</sup> final qualifying paper's part to the scientific adviser	18.05.2018-07.09.2018	18.05.2018-07.09.2018
7	Defense of the 2 <sup>nd</sup> part of the final qualifying paper in scientific adviser	07.09.2018-10.09.2018	07.09.2018-10.09.2018
8	Writing and defense of the 3 <sup>rd</sup> part of the final qualifying paper in scientific adviser	11.09.2018-28.10.2018	11.09.2018-28.10.2018
9	Streamlining of the final qualifying paper's structure, its presentation and previous defense to all the commissions	29.10.2018-31.10.2018	29.10.2018-31.10.2018
10	Presentation of final qualifying paper and abstract on the department	01.11.2018	01.11.2018
11	Presentation of the final qualifying paper to the department	05.11.2018-09.11.2018	05.11.2018-09.11.2018
12	Preparation of final qualifying paper to defense in the Examination Board	12.11.2018-30.11.2018	12.11.2018-30.11.2018
13	Defending of the final qualifying paper in the Examination Board	According to the schedule	3.12.18

**7. Date of receiving the task: 28.12.2017****8. Scientific adviser of the research**\_\_\_\_\_  
Alla G. Okhrimenko**9. Head of educational and professional program**\_\_\_\_\_  
Nadiya I. Vedmid**10. The task received by the student**\_\_\_\_\_  
Anzhelika E. Popova

## **11. Resume of a scientific adviser of a final qualifying paper:**

Student Anzhelika E. Popova performed the final qualifying paper in a due time according to the schedule. According to content, structure and design the performed work meets the requirement. Final qualifying paper performed the actual theme. In the first chapter the theoretical position dedicated to theoretical and methodological based of economic strategies of the hotel and restaurant business, the economic essence and classification of economic strategies , approaches to assessment and components of economic strategies were determined.

In the second chapter of final qualifying paper practical aspects of the principles of implementation of the economic strategies in restaurant “Palermo” were analyzed. The efficiency of current development strategies were explored.

The third chapter is dedicated to the influence of new model of economic strategy of services inrestaurant , which was checked. The purpose of the final qualifying paper was achieved and scientific tasks which were put met the execution. The work is recommended for the defense in the examination committee.

Scientific adviser of a final qualifying paper \_\_\_\_\_Alla G. Okhrimenko

## **13. Resume about a final qualifying paper:**

A final qualifying paper of student Anzhelika E. Popova be admitted to defense to the Examination Commission

Head of educational and professional program

Head of the Department

\_\_\_\_\_ Nadiya I. Vedmid

\_\_\_\_\_ Margarita H. Boyko

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## INTRODUCTION

**Actuality of the topic.** In the present situation, almost all of the enterprises without exception have many problems associated with the unstable situation in the domestic market, the first steps towards the European Union, the Association Agreement. Therefore, issues of improving or introducing new economic management strategies, which will depend on the growth of profit, ensuring high social efficiency of the functioning of the labor collective, and the formation of a positive image of the company on the market, are important.

Dynamic changes of the environment, its turbulence require the continuous development and improvement of the enterprise management system, the development of new advanced methods and strategies that can reduce the impact of negative factors on the overall performance of the enterprise. In such conditions, new requirements are created for the establishment of an enterprise management mechanism, the functioning of which should be ensured both under the influence of improving the organization of production, labor and management, and the ability to adapt it to modern conditions of management.

The question of determining the essence and structure of the economic strategies of management, structuring and formation of the economic mechanism of enterprise management was studied by many domestic and foreign authors, among them: M.G. Boyko, M. B. Bosovsky, N.I.Vedmid, O.I.Volkov, V.K. Sklyarenko, MG Groshchak, O. M. Grebeshkova, O. S. Kotsyuba, O. K. Dobikina, V. S. Ryzhikov, S. V. Kasyanyuk, A. Sadekov, V. V. Tsurik and others.

Study of literary sources, generalization of experience of management of domestic enterprises in modern conditions testifies to the imperfection of existing economic strategies of effective enterprise management in the context of the dynamics of its development. Accordingly, the subject and purpose of final qualification work were chosen.

**The purpose and tasks** of final qualification work. The purpose of final qualifying work is to develop theoretical and methodological principles, scientific and methodological and practical recommendations for the formation and implementation of the economic strategies of management of the cafe «Palermo», Slavyansk. The research process involves solving the following tasks:

- substantiation of the essence and content of the economic strategies of the restaurant business enterprise;
- disclosure of components and the process of forming an economic strategies at restaurant business enterprises;
- research of the efficiency of the economic strategies of management at the enterprises of restaurant business;
- research of the potential of forming the economic strategies of management of the cafe «Palermo»;
- estimates of the components of the economic strategies of the cafe «Palermo»;
- assessment of the effectiveness of the economic strategies of the cafe «Palermo»;
- development of approaches to the process of improving the economic strategies of the cafe «Palermo»;
- determination of reserves for increasing the effectiveness of the economic strategies of the cafe «Palermo»;
- measures have been developed to improve the investment activity of the cafe «Palermo».

**Object and subject of the final qualification.** The object of the research is the process of formation and functioning of the economic strategies of management of the restaurant business, and the subject is the theoretical and practical aspects of the economic strategies of the café «Palermo», Slovyansk.

**The theoretical basis** of the research consist of scientific works and methodological developments of leading Ukrainian scientists in the field of restaurant industry, marketing, management, laws of Ukraine, national standards of Ukraine on restaurants, as well as scientific works of domestic and foreign scientists, in which the economic strategies of restaurant business management is explored.



**The information base** of the study consists of publications and articles in mass media; abstracts on dissertations; training materials for the seminar; materials on scientific and practical conferences; catalogs and sites of restaurant enterprises, Internet sources, reports of the cafe «Palermo».

**Research methods.** The following methods were used for research: general scientific methods, in particular, the dialectical method of cognition and the systematic approach are used to study the phenomena and processes of the development of development and to determine the essence of the economic strategies of management of restaurant business. Methods of system dynamics have been used in substantiating the concept of the economic strategy of management of restaurant business. Methods of statistical and economic analysis used to study the financial and economic activities of the cafe «Palermo»; the method of structural description and graphic modeling for the analysis and research of the economic strategy of management of the cafe «Palermo».

**Scientific novelty of the obtained results.** The main scientific results defining the degree and nature of the novelty of researches in the final qualifying work are as follows:

*improved:*

- theoretical, methodological and practical approach to the diagnosis of the efficiency of restaurant enterprises on the basis of the economic strategies of restaurant management, which, unlike the existing one, is aimed at taking into account the peculiarities of restaurant enterprises' activities associated with increased profitability and profitability;

*got further development:*

- a comprehensive vision of the system of economic strategies of enterprise management, taking into account sector specificity - restaurant business.

**The practical value of the results.** Using the results of research provides an increase in the efficiency of the functioning of the economic strategy of the restaurant company, and its partners (suppliers and intermediaries). The received practical suggestions and conclusions about the analysis of the economic strategy of management are the possibility of its use in all restaurants, in particular, in the cafe «Palermo».

**Publications in scientific journals.** The main provisions of the final qualification work are published in the article «Definition, systematisation and analysis of economic strategies» in the Collection of scientific works of students of KNTEU (Appendicie A).

**Structure of final qualification work.** The final qualifying paper consists of an introduction, three parts, conclusions, a list of 56 sources and applications used. The work contains 26 tables, 16 figures. The volume of the main part of the work is - 82 pages.

## CHAPTER 1

### THE THEORETICAL AND METHODOLOGICAL BASES OF ECONOMIC STRATEGIES

#### 1.1. Contemporary theories of economic strategy

Nowadays world is changing with the great speed and the sphere of business in no exclusion. New technologies, products and services are being introduced each day and under such influence from the external sphere business enterprises not only need to keep up to the pace of this changes but also to possess internal stability and understanding of both which position in the market and how the enterprise is going to achieve. In other words, the enterprise needs economic strategy.

There are many definitions of “strategy”, but for the activity of an economic entity the following is the most applicable: strategy is an effective business concept, supplemented by a set of real actions that can lead this business concept to achieving a real competitive advantage that can last a long time [1].

To form a strategy one has to find answers to the following questions:

in what position is the enterprise at the moment?

where does it want to be in a year, three, five years?

how to achieve the desired position?

In order to obtain the desired result, the enterprise must have competently develop and implement its economic strategy. Each enterprise has its own plan of action, taking into account the specifics of the industry, the internal potential and the daily impacts of external factors. Such a plan always covers all the functional divisions of the enterprise, taking into account their interconnection. The success of its activities will depend on the degree to which the developed strategy will correspond to all the features of the enterprise. This correspondence is possible with the optimal combination of three elements: the market opportunities, the objectives of the firm and the availability of resources.

If to summarize the approaches towards strategy creation, we can distinguish two main approaches:



- 1) system approach;
- 2) situational approach.

The system approach is a methodology for studying objects as systems. The system consists of two components: 1) the external environment, which includes the input and output of the system, communication with the external environment and feedback; 2) internal structure, i.e. a set of interrelated components that ensure the process of the management entity's impact on the facility, the processing of the system's input into its output, and the achievement of the system's objectives [3].

The main task of such approach is to establish the specific state of the system's operation, which is planned by proactive management. The complexity of management depends, first of all, on the number of changes in the system and its environment. All changes have certain patterns or are random.

The situational approach tries to link specific techniques and concepts with particular situations in order to achieve the organization's goals most effectively.

The main point of the situational approach is the situation, i.e., specific circumstances that have a significant impact on the organization at that particular time. Since there are many such factors, both in the organization itself and in the environment, there is no single "best" way to manage the activities of the organization. The most effective method of management in this case is the one that corresponds the best to the particular situation [2].

The situational approach is not a simple set of prescribed recommendations, but rather a way of thinking about organizational problems and their solutions. Using it, managers can better understand which techniques are more useful to achieving the organization's goals in a particular situation. In the situational approach, the concept of a management process that applies to all organizations is retained.

In addition, the strategy has several levels. According to such approach the strategy is perceived as a "pyramid", in which the top level is the mission of the enterprise and the lower rest of the "pyramid" is defined by this top level. Depending on the degree of diversification, the strategic pyramid may have:

four levels - for a diversified company,

three levels - for a one-industry company.

In a single-industry company there is no corporate strategy. For diversified companies corporate strategy is the top level. At this level, it is determined how the corporation is going to achieve its goals in each of the industries.

The next level - the business strategy - determines the steps to strengthen enterprise's competitive positions in one area of activity. Therefore, this strategy is also called competitive. Typical strategic issues at this level may look like this:

Should the enterprise's products correspond to the range of competitor's products?

How much should the enterprise and equipment be modernized?

Should the management strive to make the organization a leader in technology?

[4, p. 101]

There are many different strategies for competing in the market at this level. The following five strategies are presented in the literature as basic:

1) cost leadership strategy is to reduce the cost of producing a product or service, and as a consequence, the final price of the product will be lower, becoming thus a competitive advantage. Such a strategy will be most beneficial when the elasticity of demand at a price is high;

2) the strategy of wide differentiation is the attribution by the company to its product some special, distinctive properties that are very popular among buyers and make the product distinct from those of competitors;

3) the optimal cost strategy - the idea is to create an increased value that meets or exceeds customer expectations in the scale "quality - service - characteristics - the external appeal of the product" and at the same time to convince customers of the prudence of the price. The goal is to become a low-cost product / service producer with distinctive characteristics from good to excellent, and then, using cost advantage, reduce the price compared to similar products produced by competitors; [5, p.218-220]

4) a focused strategy or low-cost market niche strategy is that the company allocates itself a specific segment of the market (niche), carefully studies its needs and develops its product according to these needs - a product or service. But at the same

time the company seeks to reduce costs to obtain a competitive advantage in a given market niche;

5) a focused strategy or market niche strategy based on product differentiation is another version of the previous strategy, but the competitive advantage here is the offer to the customer segment of any unique characteristics of the product. Actually, it is a kind of hybrid of the third and the fourth strategies.

The next strategic level is a functioning strategy. It is the development of an action plan for each of the functional units: marketing, manufacturing, finance, personnel, etc. The strategy of each department is based on a corporate or business strategy and is developed in relation to the actions envisaged in them and the expected results.

To solve daily tasks within each functional unit, an operational strategy is developed. It is a plan of various activities (advertising company, reporting, transportation). Despite the fact that operational strategies are smaller, they are the foundation of a strategy, and they need to be pursued to achieve the company's main goal. Table 1 contains the types of strategic actions that correspond to each of the four levels of strategy development

*Table 1.1*

How to divide the task of developing a strategy by hierarchy levels

Strategic level	Bodies responsible	Steps specific for each level
Corporate strategy	CEOs and other top-level managers (Executive board)	<ul style="list-style-type: none"> <li>• Creation and control over highly productive assets (acquisition of the companies, strengthening of existing positions)</li> <li>• Achieving of the synergy among related structural departments and its further transformation into a competitive advantage</li> <li>• Setting priorities for investments and direction of the resources into the most promising spheres of industry</li> </ul>



*Continue Table 1.1*

Business strategy	Chief executives/Department executives (decisions are usually made by the corporate executives)	<ul style="list-style-type: none"> <li>• Development of the measures aimed at strengthening competitiveness and the preservation of existing competitive advantages in the sphere</li> <li>• Creation of the mechanism of reaction on changes in the external sphere</li> <li>• Cooperation of the strategic actions of the basic functional departments</li> <li>• Actions on solving specific enterprise issues</li> </ul>
Functioning strategy	Middle-level managers (decisions are made by department executives)	<ul style="list-style-type: none"> <li>• Actions aimed at carrying out business strategy and achieving goals of the department</li> <li>• Observation, revision and cooperation of the proposals by managers on the middle level</li> </ul>
Operational strategy	Local managers and service executives	Actions on solving specific issues, aimed at achieving goals of the department

Modern Western methods of assessing the internal capabilities of the enterprise are based on a value system (the value chain of M. Porter) [6, p.27]. The chain that creates the cost of activities begins with the provision of raw materials and continues in the process of production of parts and components, assembly and output of products, wholesale and retail sales of the product or service to end-users. In fact, it is a comparative analysis of the consumer properties of the product, created at different stages of its development, production, marketing, sales, in proportion to the costs of achieving these values.

There are five main stages of economic activity that create the main values of goods:

- 1) logistics;
- 2) manufacturing of products;
- 3) warehousing, delivery and distribution of products;
- 4) marketing (including sale);
- 5) customer service.

The other part of the components includes general auxiliary activities:

- 1) administrative structure;
- 2) personnel Management;
- 3) technological support of production;
- 4) provision of materials within the enterprise.

Strategic cost analysis involves comparing the costs of the firm with its main competitors across the entire value chain. The main objective is to determine an effective way of minimizing costs and to begin to increase the competitiveness of the firm for costs where the costs of performing this type of activity were higher than those of other companies. [5, p.238]

To determine the competitiveness of a company it is not enough to have information only about the level of costs. It is also necessary to carry out a comparative analysis of such indicators as the quality of the goods, consumer services, technological capabilities, financial stability. The evaluation of competitive strength can be broken down into the following stages:

- 1) determining the factors of success in this industry and indicators of their competitive advantages;
- 2) evaluation of the firm and competitors for each of the indicators;
- 3) summing up assessments of the strengths of each of the competitors and calculating the totals;
- 4) making conclusion about the extent and degree of competitive advantage or disadvantage and the definition of those areas, the position of the firm is stronger or weaker.

## **1.2 The essence of economic strategy as a function of personnel management**

To study the importance of economical strategic planning we shall address the case of cafe "Palermo". In connection with the recent opening of a several competitors of the same format and with a broader range, the company's strategy needs to be revised using SWOT analysis. This will help determine the strengths and weaknesses of the enterprise and its competitor. We can also suggest using either the optimal cost strategy or a focused strategy.

The current strategy used by the enterprise singled out such a competitive advantage as the solution of all problems taking into account the complexity and completeness for the shortest possible time. The competitor offers a wider range. It should be borne in mind that the dishes provided are different, and for successful implementation of a new strategy experience and competent consultation are necessary. Therefore, the management of the enterprise should focus on the quality of service as a competitive advantage. Given that the cafe has been working for some time, the staff has accumulated a lot of experience in customer's preferences and which service they prefer, which cannot be said about employees of competitors as now they lack the experience due to their recent openings.

While the assortment remains the weak side of the café compared with the competitors, it is necessary to maintain strict control over the uninterrupted supply of products to the cafe so any position of the menu can be served.

The assortment policy should contain:

- 1) systemic control over the availability of all major and auxiliary positions of menu - this is of paramount importance, since the competitor has a wider range;
- 2) finding additional funds to expand the range;
- 3) introduction of discount system that would offer lower prices on the least popular position of the menu for acceleration of products turnover;
- 4) introduction of specific dishes that are served on irregular basis.[7]



The marketing strategy has several directions. One of them - merchandising - can develop according to the following principles:

1) Special presentation of the goods, for example, preparation of ready expositions and variants of combination of food and placing deserts on the window shop so everyone who walk past the café sees them;

2) The location of the main and additional positions of the menu near each in the closest proximity to each other, meaning that customer shall see them and the possibility of these additional dishes being ordered.[8]

Goods - non-liquid dishes should be located in the beginning of the menu and highlighted to draw the attention of the customer or written on separate sheet of paper to further signify them.

To maintain the same competitive advantage, it is necessary to develop a system of staff motivation, to revise the conditions for the provision of additional services. This is necessary to improve the quality of service and create a favorable impression after shopping.

In this regard, strict control over the behavior of employees in the café, waiters in particular, should be introduced in order to improve the quality of service. For violation of established rules, punitive measures are to be applied up to dismissal. To establish and maintain a favorable working environment, it is necessary to introduce a system of moral motivation for those employees who will successfully use the corporate standards system and maximize customer's experience through providing them with high-quality service. Moral motivation can be expressed in increasing the discharge, introducing the title of "Employee of the month", providing extra time for lunch. In conditions of economy, the store may not be able to reward employees financially every month - this can be done by holding contests between departments after a longer period of time. Monitoring of employee compliance with customer service rules may be carried out by the section manager.

The list of additional services in the café "Palermo" is less than that of the competitor, therefore it is necessary to emphasize their quality:

1) possible introduction of the delivery service that shall deliver food to the apartments and offices, but at the same time an additional amount is paid into its payment - an additional alternative appears for the client;

2) now the discount system includes three levels: three, five and seven percent. In this situation, taking into account the mark-up, the store can provide its customers with a discount of ten percent. Therefore, the discount system can be reformed, leaving two levels: five and ten percent. Another alternative is introduction of timed discounts (such as “dinnertime discount” from 12 pm to 2 pm) or actions such as “get discount for post in social networks” as additional advertising shall be provided.

Obviously, this will enhance the competitive advantage - quality of service.

Earlier, the active participation of the training manager in improving the level of customer service was noted. This should continue, while simultaneously applying staff motivation, as well as involving specialists of a certain position to trainings. This is necessary in order for the store employees to better understand their duties and how to better serve customers. Also, for this purpose, it is necessary to monitor the holding of industry exhibitions and trainings, invite representatives of suppliers to train and establish feedback. A possible example of such events is to invite professional baristas to show different techniques of making coffee and to tell about different sorts of coffee.

As we can see from this example economical strategy and personnel management are tightly connected and add each other. Economical strategy, to be fully introduced, should be understood and carried out by personnel as each employee needs to understand his or her duties and how they should be carried out. At the same time the strategy itself sets the goals the company result. In other words, it foresees tasks of each employee. Consequently, a chain emerges: formation of strategy-allocation of duties and tasks for each employee-control whether employees stick to the strategy of the enterprise.

Another important thing for personnel management the PEST method (Political, Economic, Social, and Technological) as it studies different dimensions the enterprise operates in and help with finding the best suitable personnel for each off the dimension. Now let’s study these dimensions.

Political stability of the state is one of the key factors allowing to reduce the risk of development of the enterprise within the framework of the developed strategic decisions. Legislative bodies require the creation of a complete and consistent system of laws on economic activities that are not subject to fundamental revision several times during the year.[11]

The economic environment is the primary and most important component of the analysis of the general (long-term) environment. In a market economy, analysis of the economic environment includes forecasts of changes in the economy, expressed in terms of inflation, employment, business cycles, monetary circulation, etc. In addition, the management of the enterprise has to understand at which cycle the enterprise is now which cycle shall be the next.

Combining the data obtained with the characteristics of the industry and enterprise development cycle will allow choice of the most effective strategy taking into account not only the potential capabilities of the enterprise itself, but also the aspect of economic factors affecting its development.[13]

Socio-cultural factors influence much the efficiency of the enterprise as well. They are considered both in the national and regional contexts. The reason for it is that the increased competition between producers and, accordingly, differentiation of goods by consumer groups require a more detailed study. It is obvious that the consumer tastes are affected not only by economic considerations, but also by national, educational, demographic and climatic characteristics. They are the objects of study, analysis and forecasting.

The technological environment is analyzed through a scientific and technical forecast, which at this stage has three objectives:

- 1) research of scientific and technical trends in the sciences related to this branch of production;
- 2) determination of the basis for the formation of an enterprise strategy in the field of R&D;



3) comparison of their capabilities with the capabilities of competitors from the point of view of the technical level of production and the scientific and technological level of manufactured products.

### **1.3 Types of economic strategies**

In the economic literature, the classification of strategies from the point of view of economic growth is widely used. The grouping of strategies by this criterion is as follows:

1) the strategy of concentrated growth implies the improvement or release of new products, as well as the search for opportunities to improve the position of the enterprise in the existing market or the transition to a new market;

2) the strategy of integrated growth provides economic growth through the acquisition of property, as well as the creation of new production structures.

In implementing these two strategies, the position of the enterprise within the industry changes;

3) the strategy of diversified growth is realized in the event that the enterprise cannot develop further in this market the goods delivered within the framework of this sector;

4) a production reduction strategy or liquidation strategy is implemented when an enterprise needs a regrouping, restructuring or liquidation.[12]

When analyzing the activities of an enterprise, assessing the prospects for the emergence of crisis states, it is important to consider the qualitative relationship of these four types of strategies.

It should be noted that the first three types in the classification considered to reflect progress oriented activities. Its forms can be the improvement of the situation on the market, the strengthening of the situation in the industry, the transition to the markets of other goods or their combination. For these types of strategies, one mandatory condition for the behavior of the enterprise and the manager is the activity in the field of primary activity, i.e. search for new ways to consolidate the situation on the

market. At the same time, the situation is expected to improve continuously in two main directions: increasing the rate of accumulation of own funds for the subsequent strategic maneuver or deepening communication with established categories of consumers and improving their position in the market. In addition, it is necessary to ensure constant monitoring of new developments for the accelerated mastery of scientific and technological achievements in the production of goods and obtaining commercial results.[14]

One of the qualitative components of development is a reduction in production or a strategy of liquidation. Most often this strategy applies to individual goods or production and, in fact, is inextricably linked to the restructuring of the enterprise. This concept will be identified with the process of freeing the enterprise from low-profitable industries and creating the potential for accelerated development of promising ones that will ensure the implementation of one of the three previously considered strategies.

In its pure form, folding (liquidation) is used extremely rarely. The processes of curtailment and growth of an enterprise in the market system of management are interrelated and interdependent. Such management can be represented as a purposeful combination of the four strategies that the manager performs to ensure stable development. Note that the art of management is to compose such a composition in accordance with changes in the external environment, the forecast of their development (marketing), as well as the management capabilities of the enterprise. The erroneous evaluation of such processes, the lack of skill of the manager lead to the uncontrollability of the process of stable development and the chaotic development of liquidation processes, the prevalence of the strategy of folding over the development strategy, resulting in bankruptcy. In other words, bankruptcy in terms of the considered strategies is an increase in the activity of the enterprise of the specific weight of the liquidation strategy by reducing the scope of the development strategy.

Introducing enterprise management as a process of purposeful transfer of the socio-economic system to the desired state, we define this state in the coordinates "development - folding". [6]

State 1 - active development: struggle for position in the new sector of the market, active market behavior, success in competing for its consumer. This condition is characterized by high specific gravity of development strategy and low specific gravity of the folding strategy.

State 2 - stable development: a stable position in the market. The development strategy is coordinated with the folding strategy, i.e. the expansion of highly profitable industries takes place in parallel and in a coordinated manner with the winding down of low-profitable industries.

State 3 - restructuring: regrouping of financial, material, technological and managerial resources, their concentration on promising markets, in-depth work with the consumer and the transition to a new product line. In other words, in this state, the potential for active behavior is created for the condition described in state 1. The goals and directions of restructuring are determined by marketing research, on the one hand, and the tasks of strategic management, on the other. In this state, the folding strategy prevails, and the development strategy is characterized by a low specific gravity.

State 4 - bankruptcy: uncontrollable processes of losing positions in the market, breaking of relations with the consumer, a sharp deterioration in sales, a lack of funds for the development of new lines of business (venture projects). This condition is characterized by a sharp increase in the share of the collapsing strategy, while the share of the development strategy is reduced to zero, i.e. all the processes that determine the activities of the enterprise, cease to be active, flow lethargic or stop.[11]

The analysis of the state of the enterprise allows us to formulate the main task of anti-crisis management. It is the organization of a stable process of successive change of states 1-2-3-1. The complexity of management is determined by the impact of the external environment, taking into account which it is necessary to ensure the stability of this process. Features of the external environment in the system of market management are:

- the interconnectedness of its factors affecting the activities of the organization;



- the complexity and number of factors that an organization should respond to (their variance);
- the mobility of the environment, which is understood as the speed with which it changes;
- uncertainty, which is considered as a function of the amount of information about a particular factor that the enterprise has, and the degree of confidence in it.

The stability of one of the three states of the enterprise is provided by the manager through competently chosen and consistently implemented management strategies and, in particular, marketing. Maintaining a stable balance of management processes is a prerequisite for the implementation of the product's product strategy and, ultimately, the success of market behavior. The task of the manager is complicated by the fact that shortcomings in situational assessment of factors, unattainable balance of these processes can cause a "fleeting" uncontrolled transition of each of states 1 -3 to state 4 - bankruptcy. Special attention and professionalism requires the management of the transition from a state of stable development to a state of restructuring. The manager decides on the forms and methods of transferring the enterprise to state 3 under conditions of uncertainty, therefore, the probability of being in a state of bankruptcy is very high. [6]. In Western literature, this phenomenon and the associated decision-making conditions are designated by the term "Strategic Infection Point", introduced by Grove, chief executive of Intel Corporation. This point was also called the point of strategic fold, the point of change of the existing global strategy and the transformation point. In fact, this point in the development of the enterprise shows the moment when a simple change in the line of conduct turns out to be insufficient and it is necessary to change the manager's view of the managed business, and also to determine what to do next. The principal point is that, having got to this point, the enterprise can pass it, having become stronger (through restructuring and preparation - to enter the new sector of the market and to a new business), or to perish.[15]

For the development of an enterprise connected with this point, it is important to analyze the variety of market factors in various sectors of the market, the dynamics of scientific discoveries and technologies, the foresight of the development of society, etc.

But the main thing is the intuition of the manager, his ability to predict changes in the market situation when choosing the direction of development of the enterprise. The management of restructuring, as well as the expansion of its presence in the new market sector, is the result of the choice of a new business development strategy. Without this, the curtailment of activities is inevitable. Consider the technological side of the process of selecting a manager by a combination of the four strategies discussed above.

It should be noted that the folding strategy, in fact, is explained in the documents establishing the legal framework for bankruptcy, carried out both in compulsory and in proactive manner. The first three strategies characterize the enterprise's initiative search for ways to improve its position.

If the initiative of managers, their entrepreneurial activity constitutes the main driving force ensuring the survival of the enterprise in the market, then it streamlines their activities, makes it a productive set of principles for working on the strategy. Among the main principles are the following:

- 1) the strategic management of the enterprise is guided by the production of goods depending on market preferences;
- 2) the criterion of the effectiveness of the strategy is the dynamics of production;
- 3) economic growth is provided by improving the products or creating new products, acquiring property, ensuring control over the work of the supplier and the distribution system;
- 4) reduction in the volume of production is carried out during structural adjustment or liquidation of the enterprise.

At the same time, the experience of firms in countries with developed market economies, according to Western researchers, points to the following directions for the formation of effective strategies.[16]

- 1) The steady growth rate of production is provided by innovations.
- 2) A high market share is achieved due to the uniqueness of the product characteristics, the use of effective channels of product promotion, effective advertising.

3) With a broad market orientation, it is necessary to ensure cost reduction and differentiation in the regional-territorial aspect.

4) When targeting a specific (specific) segment of the market, the most important strategic direction is effective marketing management.

5) Competitive position on the market largely determines the dynamics of non-production costs and price market policy. [6]

### **Conclusions to the first Chapter**

1. There are many definitions of “strategy”, but for the activity of an economic entity the following is the most applicable: strategy is an effective business concept, supplemented by a set of real actions that can lead this business concept to achieving a real competitive advantage that can last a long time

2. Modern Western methods of assessing the internal capabilities of the enterprise are based on a value system (the value chain of M. Porter). The chain that creates the cost of activities begins with the provision of raw materials and continues in the process of production of parts and components, assembly and output of products, wholesale and retail sales of the product or service to end-users. An important thing for personnel management the PEST method (Political, Economic, Social, and Technological) as it studies different dimensions the enterprise operates in and help with finding the best suitable personnel for each off the dimension. Now let’s study these dimensions.

3. Maintaining a stable balance of management processes is a prerequisite for the implementation of the product's product strategy and, ultimately, the success of market behavior. The task of the manager is complicated by the fact that shortcomings in situational assessment of factors, unattainable balance of these processes can cause a "fleeting" uncontrolled transition of each of states 1 -3 to state 4 - bankruptcy. Special attention and professionalism requires the management of the transition from a state of stable development to a state of restructuring.



## **CHAPTER 2**

### **RESEARCH OF EXISTING STRATEGY FOR RESTAURANT DEVELOPMENT OF CAFE «Palermo»**

#### **2.1. General characteristics of functioning cafe «Palermo»**

Cafe «Palermo» is located on address 084100, Donetsk region, Slovyansk , 35-b General Batuk St., telephone number : (050) 999 50 35 , [www.palermorest.ua](http://www.palermorest.ua)

Restaraunt «Palermo» located in town Slavoansk, Donetsk region. The site where the restaurant located meets the general sanitary and hygienic requirements, it is located on the undisturbed, dust-protected, well-landscaped territory of the forest-park area, near the lake and forests, with a convenient traffic junction.

The territory has two races: the premises of the food unit and the parking lot. In the household zone there is an economic unit, a gas boiler room, a transformer substation, a household entrance to the dining room, a parking lot for the personal transport of vacationers and staff.

The purpose of the cafe «Palermo» is the organization and provision of restaurant and health services to citizens of Ukraine and foreign citizens on a commercial basis and profit making through diversified entrepreneurial activities.

The subject of the cafe «Palermo» is:- catering to citizens in their own restaurant.

The total number of employees of the cafe «Palermo» is 33 people, including 7 people (22,3%) - management personnel, 26 persons (77,7%) - production personnel.  
(*tabl.2.1.*)

Table 2.1.

**Qualitative and quantitative composition of personnel of the cafe  
«Palermo»**

Group of employees		Quantitative indicators	% to the total numbers of employees
Category	Administrative	7	22,3
	Production	26	77,7
Educational level	Graduated from the educational institutions of the III-IV level of accreditation	7	19,4
	I – II level	21	62,7
	Other educational institutions	5	17,9
Age	15 – 28 years	6	19,5
	29 – 49 years	24	74,6
	50 – 54 years	1	1,9
	55 – 59 years	1	2,1
	more than 59 years	1	1,9
Sex	Men	26	77,1
	Women	7	22,9

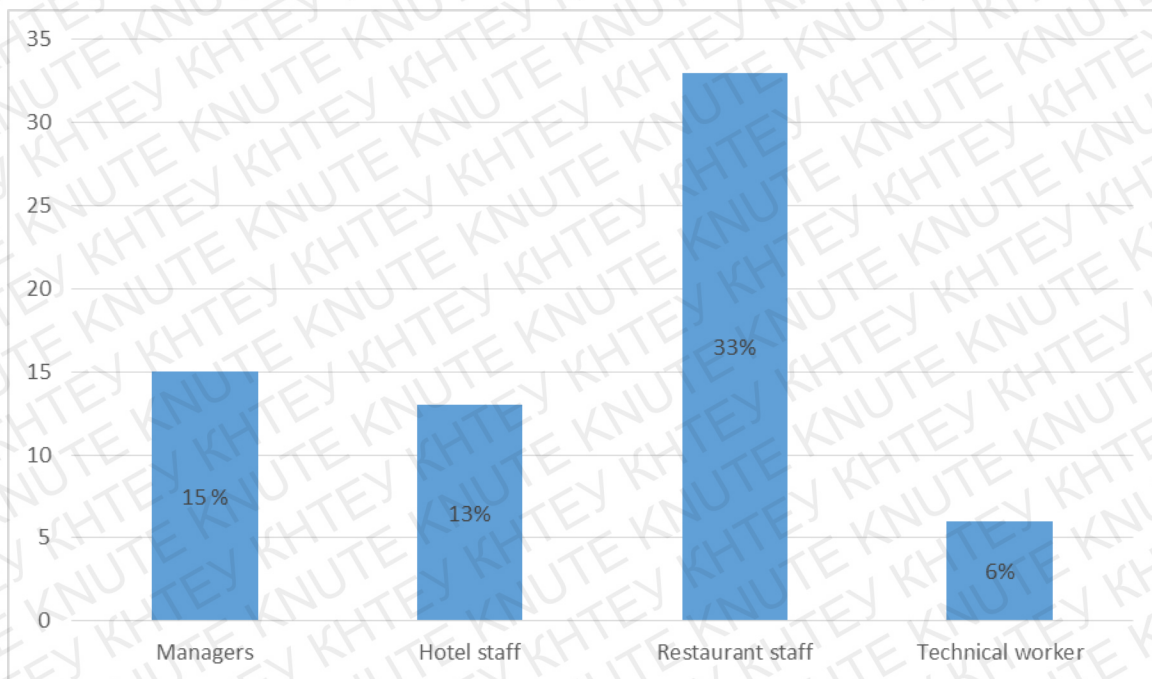
The ratio of the number of employees of the hotel-cafe «Palermo» to the level of education is that 62.7% have a secondary special education, 19.4% are higher and 17.9% average. Considering the quality of the hotel complex, we can conclude that the majority of them are women (77.1%) at the age of 29-49 (74.6%). More than half of employees have higher education, or secondary vocational education, and regularly increase their professional knowledge, skills and abilities.

There are 33 people working in the organization, the monthly wage bill in 2017 amounted to 220.8 thousand UAH, and the annual salary was 2449.6 thousand UAH. Thus, the average wage: in the hotel complex - 7803.0 UAH. In 2016, the remuneration fund amounted to 3106.8 thousand hryvnias, respectively, the average wage was 6419.0 UAH, and in 2015 - 783.4 thousand hryvnias. and 5344.0 UAH.

By units the number of employees is as follows: 1) the manager of the restaraunt - 15



% people; 2) restaurant staff – 13 % people; 3) employees of the food department – 33 % of persons; 4) employees of the technical department – 6 % people (figure 2.1.).



**Figure 2.1. The ratio of the number of employees of various departments of the cafe «Palermo»**

In the process of servicing guests of the cafe «Palermo», the restaurant industry plays an especially important role and acquires specific features, which allows to consider the restaurant economy as an important part of this complex. A characteristic feature of the service of the guests of restaurant «Palermo» is the provision of a full range of services .

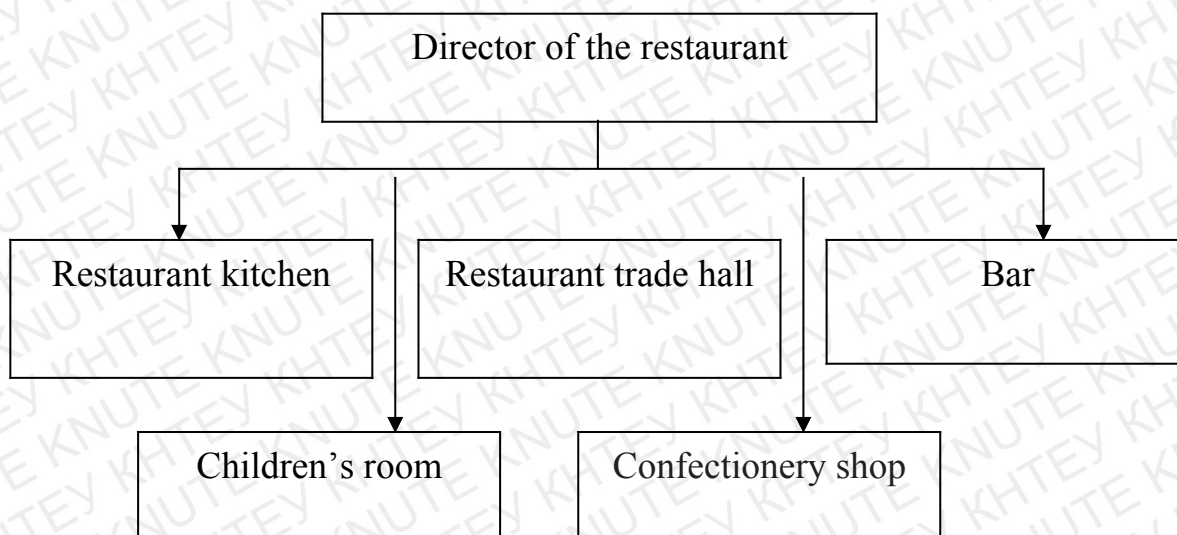
In the cafe «Palermo» distinguish two main ways to meet the demand for food services - for organized and individual customers. The cafe «Palermo» includes a restaurant, which in its structure has: a bar, a large hall, a small hall, two terraces, a billiard room, a wine cellar, a rest room, a children's playroom.

The large hall is decorated in Italian style, it has 200 seats. The small hall is decorated in the Ukrainian style, for 60 seats. The two terraces of the restaurant allow you to have a rest in them at any time of the year. Guests of the restaurant have an opportunity to take a sightseeing tour in the wine cellar. Specially for children, a modern children's playroom with labyrinths, slot machines, and various toys was built.



Thus, the restaurant of the cafe «Palermo» has 2 halls for 260 seats. In this unit there are 33 employees. The unit consists of five structural units: a kitchen, a trade hall, a bar, a confectionery shop and a children's room.

A fragment of the organizational structure of the restaurant business of the cafe «Palermo» is shown in fig. 2.2.



**Figure 2.2. A fragment of the organizational structure of the restaurant business of the cafe «Palermo»**

Organization of the restaurant production of the cafe «Palermo» is a system of interconnected elements that characterize production, its organization, maintenance, as well as management of production strategy, software, production in operational mode, material production support, production economy, pricing, production in production.

The production in the restaurant of the cafe «Palermo» operates thanks to the rational combination of time and space of means, as well as labor. As an object of management, production is a dynamically developing system whose elements are interrelated and interdependent.

In the cafe «Palermo», production units are united by a single production process, and therefore the production connections between them do not break. Only the economic relations and the relation of management change. Externally, workshops are provided with raw materials, semi-finished goods, and items of material and technical

purpose. The movement of these objects of labor in the workshops and between them creates production flows, coordinated in time and space on the basis of the laws of the organization of production.

The cafe «Palermo» uses the method of servicing waiters, the dealer is located in the block of industrial premises. Around it, hot and cold workshops, dishwashing detergents, service stock are placed accordingly. In this case, there are separate (that is, separate from each other) the entrance and exit of the distributor to prevent the intersection of the net (moving the finished product into the hall) and the dirty (moving the used dishes to the washing) processes.

The time structure of production at the restaurant of the cafe «Palermo» is associated with the time structure of the organizational and service system and is responsive to dynamic changes. In accordance with the intensity of the flows of consumers, the production program of production in time is determined. As a rule, the quantity of batches of products during the working day varies in a significant range, which affects the determination of the number of employees who must be involved in the implementation of the planned production program.

First of all, it affects the rhythm of the work of prefabricated workshops. The timetable for the production of semi-finished products in the procurement workshops is based on the advance of the periods of rise and fall in work compared with the prefabrication workshops, in which semi-finished products are brought to readiness immediately before the sale of finished products.

Consider the technology of service at the restaurant of the cafe «Palermo». Visitors to the restaurant of the cafe «Palermo» meet the administrator, who offer a free place (subject to the wishes of visitors), acquainted with the menu. It is easy to orientate about the staff because every employee wears a nameplate on the uniform, and the staff uniform has its own peculiarities: the restaurant employee is white and red: a bartender - a white coat with a black butterfly, and others. The waiter duplicates orders in a restaurant of the cafe «Palermo» in three copies in a special book. Each book is designed for one customer, and each copy has a different color (white, yellow, pink). The first (white) copy of the order consists of stripes, each of which indicates the name

of the order, which is then delivered by the waiter to the shops or bar counter. The second (yellow) copy of the order enters the cash desk, where the computer calculates the total amount, taking into account 15% of the premium for the high level of service. Moreover, each menu name is entered into the computer under its own code. Thus, at the end of each day you can analyze what was the demand in the assortment. Calculation can be made by credit cards; this system of calculation is quite convenient. The restaurant of the cafe «Palermo» uses several preferential forms of service. For example, holding a "business lunch" (from 13.00 to 16.00), dinner with a show program (from 19.00 to 21.00). The visitor can choose a salad from the buffet table and the second meal or the first and second meal according to the menu. The rest (at the request of the visitor) is ordered at the prices of the main menu at an additional cost.

Let's consider some economic indicators of the restaurant of the cafe «Palermo»

*Table 2.4.*

**Dynamics of performance indicators of the cafe «Palermo»**

№	Indicators	Unit	2015 year	2016 year	2017 year	Absolute deviation		Relative deviation	
						2016/2015	2017/2016	2016/2015	2017/2016
1	Number of seats	Seats	260	260	260	0,0	0,0	0,0	0,0
2	Duration of the restaurant in a day	Hour	12	12	12	0,0	0,0	0,0	0,0
3	Average duration of meals одним відвідувачем	Hour	1,0	1,0	1,0	0,0	0,0	0,0	0,0
4	Maximum restaurant capacity per day $4 = (1 * 2) : 3$	seats	3120	3120	3120	0,0	0,0	0,0	0,0
5	The average number of restaurant service consumers per day	persons	326	346	384	20	38	6,1	10,9



Continue Table 2.4.

№	Indicators	Unit	2015 year	2016 year	2017 year	Absolute deviation		Relative deviation	
						2016/2015	2017/2016	2016/2015	2017/2016
6	The turnover of one place 6 = 5 : 1	-	1,25	1,32	1,47	0,07	0,15	5,6	11,3

The turnover of one place of the cafe «Palermo» is rather low - from only 1.25 in 2015 to 1.32 in 2016 and 1.47 in 2017. The number of restaurant service consumers, given that breakfast is included in the cost of accommodation services, is small.

## 2.2. Analysis of economic efficiency of activity cafe «Palermo»

Important in evaluating the activities of any enterprise is an analysis of its main financial and economic indicators, according to the company's reports. For a detailed analysis of the financial and economic activity of the enterprise, it is necessary to analyze information on the following basic forms of accounting, statistical and financial reporting: Form No. 1 "Enterprise Balance", Form No. 2, Statement of Financial Results" (Appendix B).

The main economic indicators used to conduct a financial and economic analysis of an enterprise and determine the effectiveness of its business are: the volume of sales revenue from services, costs for the creation and implementation of services, different types of profits, profitability, which is calculated for different indicators, for the enterprise in general, and for each type of service.

We will analyze the indicators of the report on the financial results of the cafe «Palermo» for 2015 - 2017 (Table 2.5).

Table 2.5.

**Dynamics of the main financial and economic indicators of the cafe «Palermo» for  
2015 -2017**

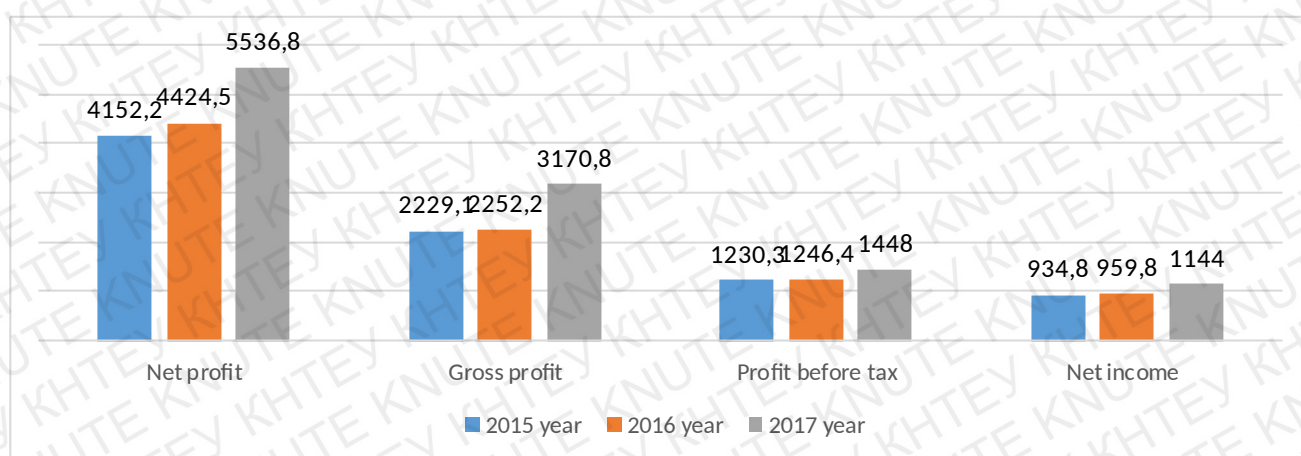
Indicators, ths.,hrn	2015 year	2016 year	2017 year	Absolute deviation, thousand hrn		Relative deviation, %	
				2016/ 2015	2016/ 2017	2016/ 2015	2016/ 2017
Net income	4152,2	4424,5	5536,8	272,3	1112,3	6,6	25,1
Cost of services	1923,1	2172,3	2366,0	249,2	193,7	13,0	8,9
Gross profit	2229,1	2252,2	3170,8	23,1	918,6	1,0	40,8
Other operating income	23,5	0,0	88,1	-23,5	88,1	-100,0	0,0
Administrative expenses	703,1	697,7	854	-5,4	156,3	-0,8	22,4
Selling expenses	98,6	136,9	247,1	38,3	110,2	38,8	80,5
Other operating expenses	123,6	201	716,1	77,4	515,1	62,6	256,3
Operating profit	1327,3	1216,6	1441,7	-110,7	225,1	-8,3	18,5
Other financial income	0	0	7,1	0	7,1	0,0	100,0
Other income	23	87,3	0	64,3	-87,3	279,6	-100,0
Other expenses	120	57,5	0,8	-62,5	-56,7	-52,1	-98,6
Profit from ordinary activities before taxation	1230,3	1246,4	1448	16,1	201,6	1,3	16,2
Income tax from ordinary activities before taxation	295,8	286,6	304	-9,2	17,4	-3,1	6,1
Net profit	934,8	959,8	1144	25	184,2	2,7	19,2

Based on Table 2.5, concerning the dynamics of the main financial and economic indicators of the cafe «Palermo» for 2015 -2017, the following conclusions can be drawn:

- revenues in the reported year increased by 1350,9 thousand UAH, which is 25,4%;
- the value added tax has increased by almost the same percentage, which has changed from 884.1 to 1124.1 ths.hrn.,
- on the basis of these changes, the net income increased by 1112,3 thousand UAH. (25.1%);
- the cost increased slightly lower than the previous ones: it increased by UAH 193.7 thousand, which is 8.9%; its share in revenue in the reported year also decreased: from 40.9% to 35.5%;

As a result of the above changes (gross revenue growth of 25.4% and cost of 8.9%), gross profit increased by 918.6 thousand UAH, or by 40.8%;

- the share of gross profit by comparison with revenue has increased by 5.2% from 42.4% to 47.6%;
- other operating income and expenses do not have a significant impact on the company's profit generation;
- Thus, in the reporting year, the enterprise received net profit in the amount of 1144.0 thousand UAH, or 19.2% more;- the share of net profit in relation to the revenues is 16.5% in the previous year, and in the reporting year - 13.5%.





**Figure 2.4. Structure and dynamics of income and profits of cafe «Palermo» for 2015 - 2017**

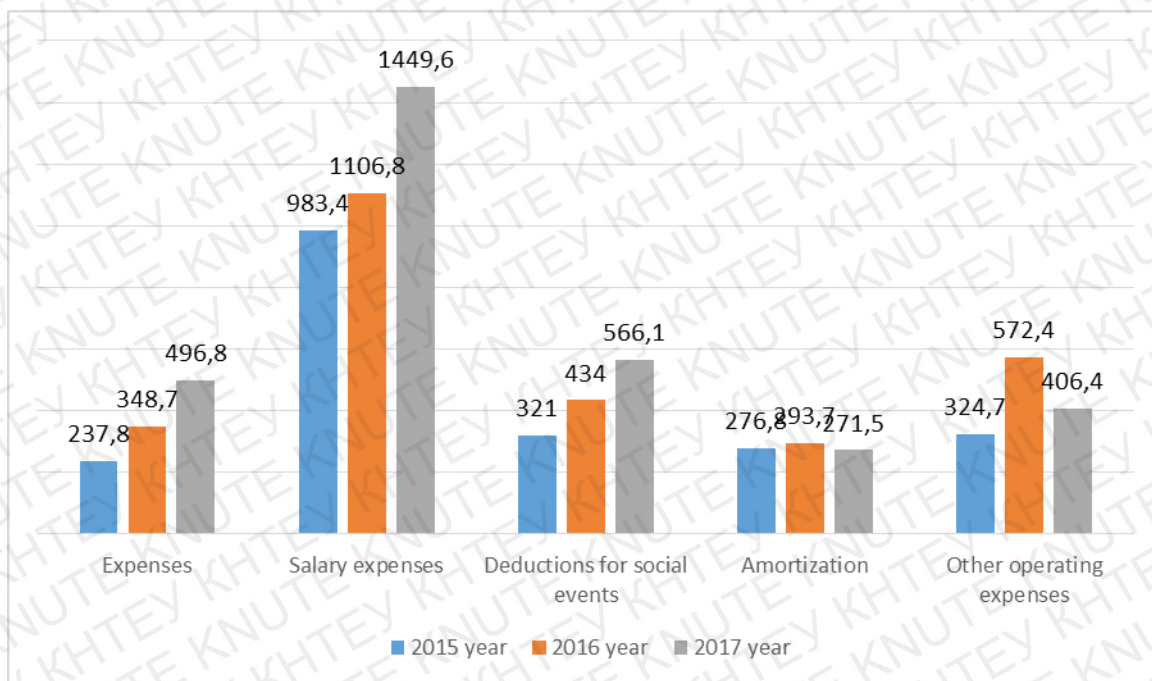
Now consider the dynamics and structure of operating expenses of the cafe «Palermo» for 2015-2017 (Table 2.6).

*Table 2.6.*

**Operating expenses dynamics of the cafe «Palermo»**  
for 2015 - 2017 years

Indexes	2015 p.	2016 p.	2017 p.	Absolute deviation		Rate of growth, %	
				2016/2015	2016/2017	2015/2016	2016/2017
Material costs	237,8	348,7	496,8	110,9	148,1	46,6	42,5
Salary expenses	983,4	1106,8	1449,6	123,4	342,8	12,5	31,0
Deductions for social events	321	434	566,1	113,0	132,1	35,2	30,4
Amortization	276,8	293,7	271,5	16,9	-22,2	6,1	-7,6
Other operating expenses	324,7	572,4	406,4	247,7	-166,0	76,3	-29,0
Total operating expenses	2143,7	2755,6	3190,4	611,9	434,8	28,5	15,8

Having analyzed the data of tab. 2.6, one can conclude that operating expenses of the company in 2017 increased by 434.8 thousand UAH, which is 15.8%, from UAH 2755.6 thousand. to 3190,4 thousand UAH. The largest share of operating expenses in both years belonged to labor costs - 33.0% and 36.0% respectively, followed by other operating expenses - 29.0% and 31.0%, material expenses - 18.0% and 16, 0%, - 17.0% and 14.0%, and deductions for social measures amortization by 3.0%.



**Figure 2.5. Dynamics and structure of current expenses of the cafe «Palermo» in 2015-2017**

One of the most important characteristics of the financial condition of the company is financial stability. It depends on the structure of the company's liabilities and is characterized by the ratio of own and attracted capital.[19] We will calculate some coefficients of financial stability of the cafe «Palermo» (Table 2.7.).

*Table 2.7.*

**Analysis of some indicators of financial sustainability cafe**

**«Palermo» in 2015 - 2017**

INDEXES	at the end of 2015 year	at the end of 2016 year	at the end of 2017 year	Deviation	
				2016/2015	2017/2016
The coefficient of autonomy	0,96	0,97	0,94	0,01	-0,03
The coefficient of financial stability	56,2	95,4	57,8	39,2	-37,6
Maneuverability factor	0,021	0,029	0,013	0,007	-0,016
The ratio of the real cost of fixed assets	0,93	0,94	0,93	0,01	-0,01

*Continue Table 2.7.*

INDEXES	at the end of 2015 year	at the end of 2016 year	at the end of 2017 year	Deviation	
				2016/ 2015	2017/ 2016
Ratio of the real value of fixed assets and material working capital to the total amount of funds	0,95	0,95	0,95	0,0	0,0

Thus, in the reporting year, the indicators of financial sustainability deteriorated, that is, the funds attracted predominate over their own. But, if we consider each indicator more precisely, then, for example, the autonomy factor is calculated as the ratio of the total amount of equity to the balance sheet. The practice has determined that the critical value of this indicator is 0.5, and the higher it is, the less the enterprise's dependence on external sources, and in the cafe «Palermo» this indicator is equal to 0.9, that is, it is positive.

The general indicator of the use as a whole, as well as certain types of property of the enterprise is its reversibility, the acceleration of which contributes to increase sales and the release of funds from the turnover (Table 2 .8).

*Table 2.8.*

**Analysis of the turnover of current assets of the cafe «Palermo»  
for 2015 – 2017 years**

№	Indexes	2015 p.	2016 p.	2017 p.	Deviation	
					2016/ 2015	2017/ 2016
1	Net income, ths.hrn.	4152,2	4424,5	5536,8	272,3	1112,3
2	Number of days of the analyzed period	365	365	366	0,0	1,0
3	One-day revenues (1 / 2)	11,3	12,1	15,2	0,8	3,1
4	Average outstanding current assets, UAH thousand.	324,1	435,2	611,4	111,1	176,2

*Continue Table 2.8.*

№	Indexes	2015 p.	2016 p.	2017 p.	Deviation
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					2016/ 2015	2017/ 2016
					4	Duration of one turnover, days (4 x 365 / 1)
5	Turnover rate of current assets (1 / 4)	12,8	10,2	9,1	-2,6	-1,1
7	Load factor of assets in circulation (4 / 1)	0,01	0,1	0,11	0,1	0,0

According to Table 2.8, it follows that the turnover of all types of property decreased by a total of 4.3 days (from 36 to 40 days). This reduced the turnover rate of assets by 1.1 turnover and increased the turnover rate of assets in the turnover by 0.01, which is a negative trend. One-day sales in the reporting year increased by UAH 3.1 thousand. Thus, the use of assets is not entirely effective. We will analyze the use of fixed assets of the cafe «Palermo» in 2015-2017 (see Table 2.9.).

*Table 2.9.*

**Analysis of the use of fixed assets of the hotel and cafe  
«Palermo» in 2015-2017**

№	Indexes	2015 year	2016 year	2017 year	Absolute deviation		Relative deviation, %	
					2016/ 2015	2017/ 2016	2016/ 2015	2017/ 2016
1	Net income, ths. UAH	4152,2	4424,5	5536,8	272,3	1112,3	6,6	25,1
2	Cost of fixed assets, ths.	8023,5	7852,5	7556,9	-171,0	-295,6	-2,1	-3,8
3	Return on assets (1 / 2)	0,5	0,6	0,7	0,1	0,1	20,0	16,7
4	Capacity (2 / 1)	1,9	1,8	1,4	-0,1	-0,4	-5,3	-22,2

The efficiency of using fixed assets of the enterprise is characterized by indicators of return on assets and capital intensity. Return on assets is characterized by the ratio of the size of the proceeds to the average cost of fixed assets. The profitability of the cafe

«Palermo» increased by 30.0%, which indicates an increase in the efficiency of the use of fixed assets. Fundscales are a reciprocal indicator of return on assets. Reducing the capital of the cafe «Palermo» by 23,1% also testifies to the efficiency of the use of fixed assets.

The final result of the enterprise is estimated by the level of efficiency of its economic activity: the total volume of the received profit and per unit of resources. Profit and relative profitability - profitability are the main indicators of the efficiency of the enterprise, which characterize the intensity of management.

The life of an enterprise largely depends on the extent to which the financial returns of resources are ensured and how much profitability is achieved in the process of cost formation. To associate expenses and incomes is the main task of each participant of economic activity.

*Table 2.10.*

**Analysis of indicators of the level of economic efficiency of the restaurant  
cafe «Palermo» for 2015 - 2017**

Indexes	2015 year	2016 year	2017 year	Absolute deviation	
				2016/ 2015	2017/ 2016
Cost-effectiveness of the main activity, %	61,9	45,23	45,39	0,15	0,3
Profitability of ordinary activity, %	58,1	44,15	45,19	1,04	2,4
Profitability of the enterprise, %	43,5	31,86	28,18	-3,68	-11,6
Productivity ths.hrn.	74,3	92,2	110,7	18,6	20,1
Funds of workers , ths hrn.	156,3	163,6	151,1	-12,5	-7,6

Thus, the analysis of indicators of the cafe «Palermo», makes it possible to conclude that the level of efficiency of its economic activity is not sufficiently positive. some indicators of profitability and equity have decreased. Indicators of labor productivity have a positive tendency.

So, after analyzing the main financial and economic indicators, we can conclude that they are gradually improving, as in the reported year, compared with the previous one: the indicators of revenue, net income, cost, gross profit, net profit, liquidity, financial stability, turnover of turnover assets, return on assets and capital, etc. Thus, we can state that the volume of activity of the cafe «Palermo» is characterized by gradual growth, which is typical for the strategy of limited growth.

### **2.3. Strategic orientation research restaurant of the café «Palermo»**

Since analyzing the strategy is important for the study of the environment, we will analyze it for the cafe «Palermo». The strategic success of an enterprise mainly depends on the forces of the environment in relation to it and operating in the global external environment. We describe the external environment and factors that are critical for management.

The external environment of the restaurant of the cafe «Palermo» includes two areas:

1. The medium of direct influence is an environment of direct contact, it includes those market participants with whom the restaurant has direct relations, or which have a direct impact on the restaurant. These are, first of all, suppliers of economic resources necessary for the restaurant of the cafe «Palermo» (raw materials, financial capital, production capital), customers - consumers of the restaurant services of the cafe «Palermo», intermediaries - financial, trading, marketing economic structures.

Secondly, the elements of the business environment include enterprises-competitors and so-called contact audiences - the media, consumer organizations, etc., those that have a significant impact on the restaurant's reputation.

2. The medium of indirect influence, consisting of elements that are not directly related to the restaurant, but affect the formation of a general business atmosphere. The environment of indirect influence is the environment of the side contacts of the restaurant cafe «Palermo». These include political and socio-cultural factors of



influence, state of the economy, scientific and technological progress, technological changes and legislative influence of the government, international relations and relations with the local population, influence of group interests, some macroeconomic phenomena. There are also other forces that require taking into account their influence on the activity of the cafe «Palermo».

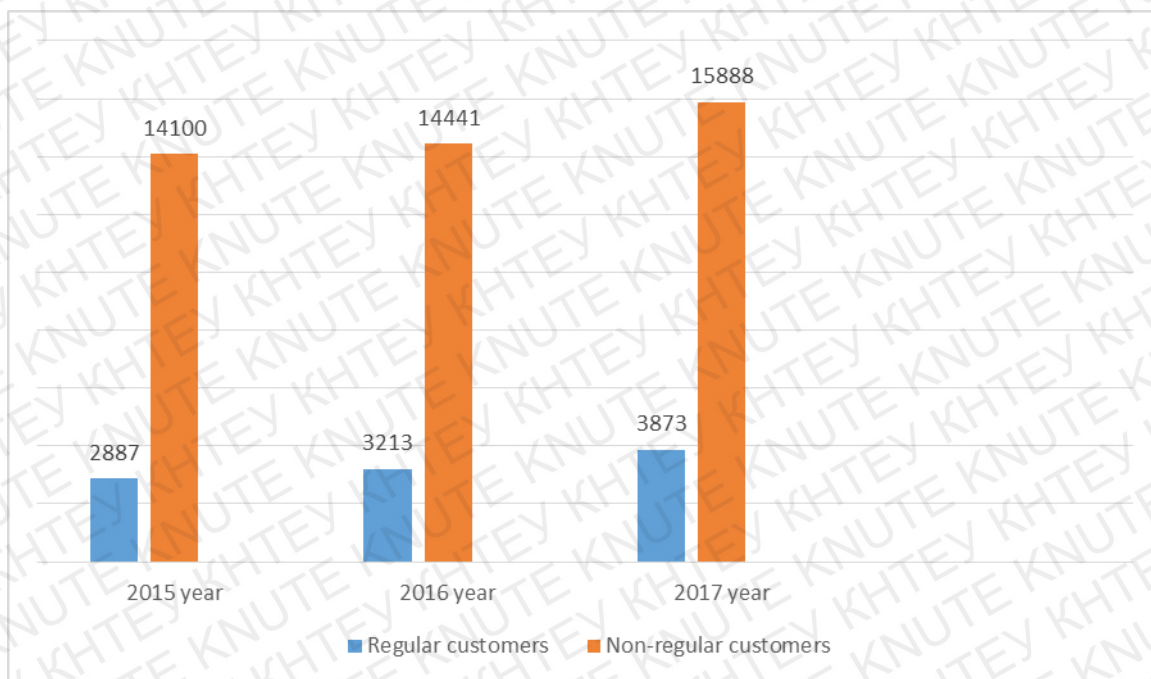
First, we will conduct an analysis of the elements of the external environment of the indirect influence of the cafe «Palermo».

During the analyzed time, the structure of consumers of cafe «Palermo» has not changed much. For a more intelligent picture of the consumers of the enterprise, consider the qualitative composition of the clients of the hotel complex.

During the reporting year, the main age category used by the cafe «Palermo» is the middle-aged (30-50 years old), the share of which in the total number of servicemen is 59.7%, in the second place - youth (age 16 -30 years), the share of which in the overall structure is 15.7%. The share of children is 10.1%, and the elderly -14.5%.

By gender, men account for 65.5%, and for the purpose of: "rest" - an average of 57.2% over a three-year period, followed by a business target of 22.6% and another of 20.2%.

Having analyzed the data on the cafe «Palermo», it follows that the main clients in the reporting period were male males aged 30 to 50 years, whose purpose was to visit this institution was rest. Given these facts, the hotel and restaurant complex in order to attract new and keep regular customers, it is necessary to increase the level of service. Important for the cafe «Palermo» is the availability of regular consumers. It is worth noting that their number increases annually: from 2887 in 2015 to 3873 in 2017.



**Figure 2.8. Structure of consumers of cafe «Palermo» in 2015 - 2017**

Suppliers of the cafe «Palermo» are those organizations and persons supplying resources (raw materials, products and services) that are necessary for the company to carry out their activities. Suppliers of the cafe «Palermo» can be divided into two groups:

- organizations that are clients of the complex for recreation, health improvement and business meetings;
- organizations that are suppliers of food, equipment, materials.

The main suppliers include well-known enterprises of the agro-industrial complex: Nasha Ryaba, Kulinichi, Izyumskiy Hliboproduct, Olcom, Slavoliya, Chumak, Oleina and others.

Like many organization, the restaurant in its activities uses various types of resources: material, financial, human, informational, technological. As for financial resources, the cafe «Palermo» uses its own and attracted financial resources. Own financial resources of the company make up 93% of all financial resources, and involved - 7.0%.

As for the supply of labor is concerned, these are labor-supplying organizations, which include those potentially employed by the organization. The ability of an

organization to attract, motivate, and retain the human resources necessary to supply competitive goods and services can be attributed to the key elements of a successful organization's work.

The sources of information resources of the cafe «Palermo» include their own sources on the state of the internal environment and external sources: the press, television, Internet, radio, information of state authorities and various organizations, own observations on the state of the environment.

Legislative support. The activity of the cafe «Palermo» is regulated by such basic legislative acts as: "Economic Code of Ukraine", "Tax Code of Ukraine", "Code of Labor Laws of Ukraine".

State regulation institutions. Government agencies are institutions that enforce legislation at local, regional and national levels.

In order to identify the main rivals of the restaurant of the cafe «Palermo» we will build a map of strategic groups of competitors.

*Table 2.12.*

### **The main competitors of the cafe «Palermo»**

The name of the restaurant	Kitchen Specialization	Placing	Average cost of lunch per person, UAH	Average number of visitors per day
Papa Italiano	ukrainian, italian	Slavyansk	≈ 160,0	≈ 230
Barrell	ukrainian	Svyatogorsk	≈ 300.0	≈ 280
Vizuvio	Italian	Kramatorsk	≈ 270,0	≈ 200
<b>Palermo</b>	<b>ukrainian, italian</b>	<b>Slovyansk</b>	<b>180,0</b>	<b>384</b>

The most important rivals of the cafe «Palermo» are restaurants such as "Barell", "Papa Italiano", "Vizuvio", which have approximately the same location and provide similar services.

Based on the analysis of the strategic groups of competitors of the cafe «Palermo», at the price of the menu and assortment of additional services, one can conclude that the nearest rivals is the "Papa Italiano" restaurant, since in this restaurant the price policy





services			
2. Volume of profit	X		
3. Level of profit	X		
4. Latitude of the range of services			X
5. The prestige of the hotel		X	
6. Price of services		X	
7. Quality of service		X	
8. Marketing and advertising	X		
9. Production capacity	X		
10. Location	X		



Guided by the "Polarity Profile" of the cafe «Palermo», it can be said that compared to its main competitor, the "Vizuvio" restaurant, it has such competitive advantages: in breadth of the range (2 points). Some indicators are the same, in particular: prestige and quality of service. On all other indicators, the restaurant "Barrell" has advantages.

The positive advantage of the cafe «Palermo» is that it has some innovative potential, and provides innovative services, in particular, a mini-zoo. For the future it is necessary to develop a program of innovation activity.

Strategic planning is especially important. Without an established brand to lean on, management team must make **strategic decisions** that support the business's success and growth over time. SWOT analysis provides valuable insight into how fare against the competition and can inform what kinds of marketing campaigns, restaruant promotions, policies, or processes will give you an extra bit of competitive edge by laying out the internal and external factors influencing business. SWOT analyzes **strengths (What do you do best?), weaknesses (What could you do better?),opportunities (How can you grow?) , threats (What are you up against?)**. According to the data we will build a SWOT analyzes of the cafe «Palermo» (Table 2.16.)

*Table 2.16.*

SWOT analyzes of the cafe «Palermo»



Strengths	Weaknesses
Serving tasty food; offering quality service; décor; lower-priced menu ; special promotions; serving a specific type of ethnic food not served elsewhere in the area.	A lack of qualified staff ; employee training; not getting consistent supplies; using paper to keep track of ordering .
Opportunities	Threats
Providing different types of food and beverages; taking advantage of trends related to eating healthier; organic menu; selling some of restaurant products; offering delivery services and take-out .	Competing restaurants located nearby; new restaurants opening up in our area; potential rising price of certain foods; political situation.

A SWOT analysis must always be included in restaurant business plan as it helps to analyse current situation, and prepares for what lies ahead. Keeping the SWOT analysis restaurant ‘Palermo’ should create a strategy and plan to make restaurant venture a successful one.

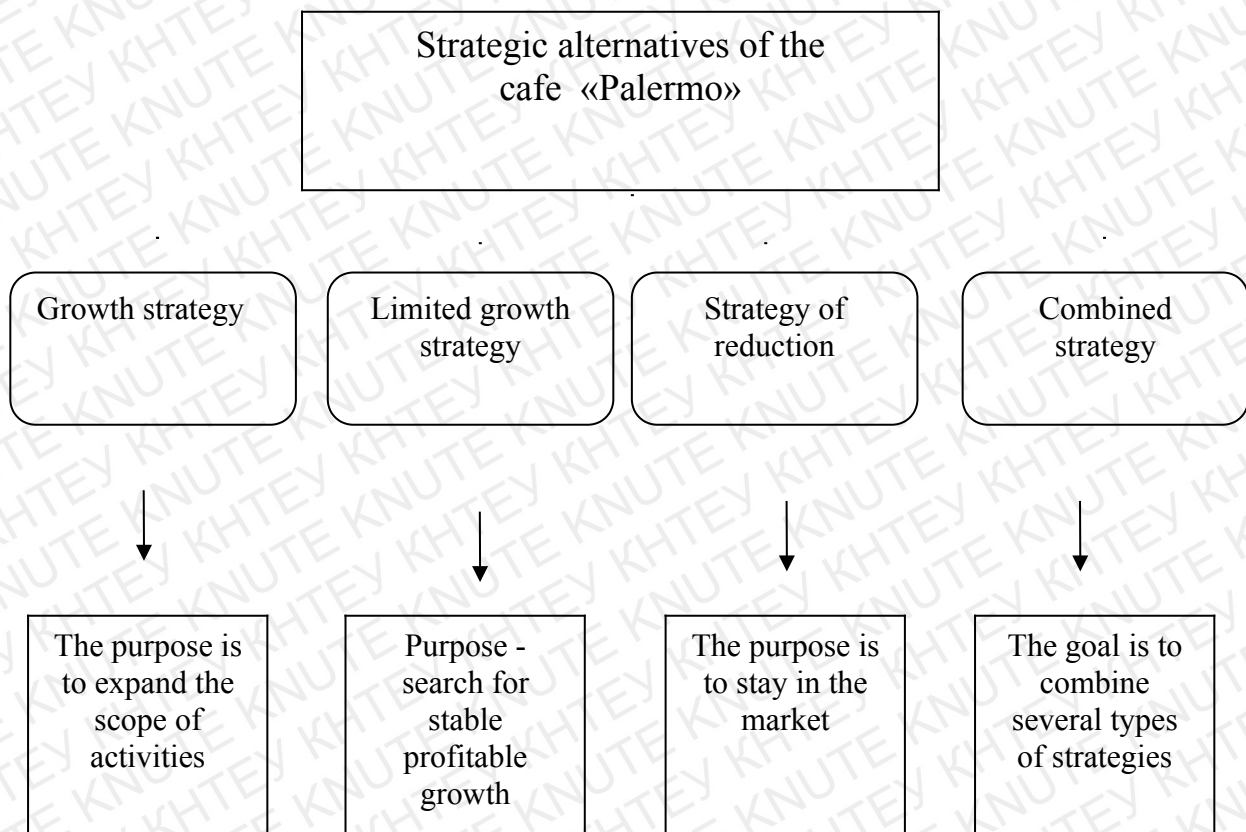
Certain factors in a business, such as salaries, inventory and sales goals can be controlled. However, businesses are also influenced by the environment in which they operate. In this situation, environment doesn't refer to the neighborhood or surrounding landscape. Think of environment on a much broader scale when it comes to PEST.[38] How are the political, economic, social and technological aspects of the environment impacting your restaurant business we can see in table 2.18. (Table 2.18.).

Table 2.18.

**PEST analyzes of the café «Palermo»**

Political factors	Economic factors
Tax reforms; health regulations; unstable political situation.	The minimum wage ; the health of the economy; inflation rates.
Social factors	Technological factors
Organic food; more people are dining on weekends; recommendtions in social media (Facebook , Instagram )	New computer system; payment via smartphones; modernization of kitchen.

Enterprises can have many strategies, but they all are based on 4 strategic alternatives: limited growth, growth, reduction and combination of any three alternatives. On the basis of the analysis, one can state that the restaurant management of the café «Palermo» follows the strategy of limited growth of the organization and for the future it is worth pursuing such an alternative. This alternative is followed by most organizations. Such strategies are characterized by the establishment of goals from the level reached, adjusted to take into account the level of inflation. The popularity of this alternative is due to the fact that it is the easiest, most convenient and least risky way of development. This alternative is used in mature and stable organizations, as well as in organizations with static technology and in situations where the organization is satisfied with its position.



**Figure 2.11. Positioning of the cafe «Palermo» in the system of strategic alternatives**

With regard to the chosen strategy, the cafe «Palermo» uses a strategy of concentrated growth. Since the company is trying to improve its products and / or start producing new ones without changing the industry; As for the market, the company is looking for opportunities to improve its position on the existing market

## **Conclusions to Chapter 2**

The cafe «Palermo» is located in Slovyansk, Donetsk region . The total number of employees of cafe «Palermo» is 33 people, including 7 people (22,3%) - management personnel, 26 persons (77,7%) – production personnel.

1. In the process of servicing the guests of the cafe «Palermo», the restaurant economy plays an especially important role and acquires specific features, which allows considering the restaurant economy as an important part of the hotel complex. A



characteristic feature of the service of the guests of the cafe «Palermo» is the provision of a full range of services, including breakfast included in the cost of accommodation.

2. In the cafe «Palermo» distinguish two main ways to meet the demand for food services - for organized and individual customers. Thus, the restaurant of the cafe «Palermo» has 2 halls for 260 seats. In this unit there are 33 employees. The most important rivals of the restaurant of the cafe «Palermo» are restaurants such as "Italiano Papa", "Barrell", "Vizuvio", which have approximately the same location and provide similar services.

3. The positive advantage of the cafe «Palermo» is that it has some innovative potential, and provides innovative services, in particular, a mini-zoo. For the future it is necessary to develop a program of innovation activity.

4. The strong sides of the «Palermo» restaurant are advantageous transport accommodation, long-term relationships with partners, a network of regular clients, and weak ones - insufficiently comprehensive research of the domestic and foreign markets, on the basis of the analysis, it can be stated that the restaurant's management of the «Palermo» repository follows the strategy of limited organization growth and it is worthwhile to follow such an alternative for the future. This alternative is followed by most organizations. Such strategies are characterized by the establishment of goals from the level reached, adjusted to take into account the level of inflation. The popularity of this alternative is due to the fact that it is the easiest, most convenient and least risky way of development. This alternative is used in mature and stable organizations, as well as in organizations with static technology and in situations where the organization is satisfied with its position.

## CHAPTER 3

### WAYS OF IMPROVEMENT ECONOMIC STRATEGIES OF CAFE «PALERMO»

#### Development of economic strategy for café «Palermo»

Functional development strategies include a clearer plan of action for each of the functional units of the “Palermo” restaurant. Typically, the development of functional strategies in the enterprise is carried out in the following areas: marketing, finance, production, research and development, human resources, organizational development. Below are the key features of the functional strategies for each of these activities.

*Table 3.1.*

#### Major events on the proposed strategies of the cafe «Palermo»

Strategy	Action
Strategy for strengthening positions in the market	Activation of efforts to strengthen the market share in the suburban area of the city of Donetsk. Opening branches and creating your franchise network (in the future) Strengthening market positions Expansion of assortment of services and dishes
Market expansion strategy	Participation in exhibitions to improve the image and conclude new contracts Active search for new partners Active advertising and PR activities Measures to expand the market
The strategy of developing a new product	Active development of new products

The enterprise cafe «Palermo» as well as other organizations declares itself through means of advertising in order to attract a potential customer. But in the state of the enterprise there is no qualified specialist who can competently analyze the market, develop a strategy for conducting promotional activities, analyze the effectiveness of advertising, etc. Therefore, advertising activities in the firm are occupied by the substitute. the director of the enterprise and the senior manager, the given employees do not have sufficient professional preparation, therefore advertising companies conducted

by the firm are ineffective. The introduction of the post of a marketer will entail a number of changes in the activities of the company, both structural and financial. In order that the enterprise would not suffer great losses, we will calculate the economic efficiency of introducing the marketer to the enterprises and change the firm's budget.

The introduction of a marketer in the state will require additional monthly expenses. The salary of a marketer will be 9 thousand UAH a month. What will have a significant impact on the enterprise budget, but the economic benefits will be much greater. The official duties of a marketer are presented in Appendix D.

Entering into the state of the marketer will allow unloading the senior manager and Deputy. the director of the enterprise, as a result of which they will be free of unnecessary work and can perform their direct duties more qualitatively without distraction for additional tasks.

And the marketer will gather all the information about the promotions conducted will evaluate their effectiveness and based on the needs and requirements of the company will develop its more effective marketing policy.

First, we will define the goals and objectives of the enterprise. The goal is to understand the desired future state of reality. When defining a goal, it is necessary to pay attention to the exact formulation of content, volume and time. In addition, the goals should be considered not isolated, but always in the relationship. There are four key areas in which the marketing objectives should be defined in Table 3.2.

*Table 3.2*

### **Objectives of the enterprise “PALERMO”**

<b>Areas of goal-setting</b>	<b>Indicators</b>
Market goals	Market share, role and importance of services, new markets
Economic Objectives	Profit
Social goals	Social responsibility, public recognition



Areas of goal-setting	Indicators
Innovative goals	Expand the existing range of services through innovation in technology

Tasks of restaurant ‘PALERMO’: increase market share up to 20% , divide the market with the competitor of restaurant in equal shares. This is possible if the following tasks are performed: increase sales to the required amount. Ensure the attraction of new customers, through active advertising, discount systems, and so on. To target customers to re-purchase a service, you can use preferential terms for re-purchasing and, for example, installment payment. Strengthening the role and importance of services.

It is promoted by active advertising, propaganda of the provided services. Advertising, as is known the engine of progress, it is precisely it acts as a communicative bridge between producers and consumers. In advertising slogans it is necessary to emphasize that the high service of the future are already available, and to connect to it easily and affordably with the company cafe «Palermo». Marketing research needs to be conducted to obtain information on the need and the need for the service provided.

The monitoring of the client base will allow you to find out if the customer is satisfied with the service provided, whether his embedded equipment is arranged, whether it is convenient to use it, or whether there are any negative aspects in the provision of the service. Similarly, the monitoring of the client base will help to create a true portrait of the client, with the help of which it will be much easier to carry out marketing activities.

To increase competitiveness, we know the basic parameters that have a determinant value for the consumer. It is through the improvement of these parameters that it is possible to increase the competitiveness of the firm (for example, the parameter price - to set the price lower than that of competitors, the quality of the implemented equipment - to install exclusively high-quality equipment, and so on).[52]

Provide demand. It will be possible to provide the demand by using the services of the advertising agency of the city. It is also possible to reduce the price, which may also cause an increase in demand.

Reduce your cost. Reducing the cost of production is an important issue, and perhaps even a necessity, for the further successful operation of the restaurant "PALRMO". In order to reduce the cost of the service, it is necessary to take the following measures: to find a supplier that would offer the optimal price-quality ratio for the meal being introduced; it is also necessary to purchase its transport for the delivery of food, no matter how much it costs to pay for transportation.

Expansion of the range of services offered by innovations in technology. Expansion of the range of services offered is a necessary factor for the successful functioning of the company, its improvement.

Continuous monitoring of technology innovations. The development and improvement used in the production of technology services is quite dynamic. Therefore, it is necessary to keep track of the latest changes in order to keep pace with progress. But one should also take into account that not all innovative technologies can take on the market of the Donetsk region. An increase in the standard of living and wages of the city's inhabitants may not be as rapid as the development of technologies. Therefore, it is necessary to soberly assess the possibilities of market acceptance of innovations.

Improvement of the level of personnel qualification. The firm assumes constant improvement of the technologies used, accordingly, the personnel of the enterprise should understand them. For this purpose it is supposed to raise the level of qualification of the personnel 1 time a year. What will help to carry out the service, more qualitatively.

Advertising events of the cafe «Palermo». The advertising of the company will be placed in the printed editions of the city. But in order for the placed advertising to be effective, you need to create the correct ad text. The ad text consists of five main elements that are almost always used in advertising:

- title;
- subheading;

basic text;

-signs and comments;

-advertising slogan.

The headline will attract the reader's ad. The headline is the pivot of advertising and the strongest promise to the buyer.

The subtitle is directed to the client: now that your attention is gained, that's what we would like to say to you. The subtitle is a bridge between the title and the main text.

The main text fulfills the promise of the header: in it, the client finds the details that should encourage him to buy. Most consumers do not get to the main text - they lose interest in the announcement after reading the headline, and some - even before.

Photographs, illustrations, signatures and comments used in advertising can be the most effective sales tool.

An advertising slogan is the verbal equivalent of a company logo. In a printed advertisement, it usually appears next to the company's graphic logo or the company name immediately underneath them. The advertising slogan reflects and concentrates on the company's position, making it attractive to its customers. The slogan is used in any type of advertisement. Whatever advertising has 100 percent success, it is necessary to know who it is intended for, that is, we must know the characteristics of the client. Based on the developed portrait of a potential client, we will try to formulate the company's proposed slogans.

The advertisement of the offered service should be placed exactly in that printed publication, which our potential client prefers. It should be a business publication, or an information publication of the city that illuminates the life of the elite of Donetsk region.

It will be more effective to place advertisements on the radio, which works everywhere and everywhere: at work, in a car, in stores, and so on. Advertising on the radio has several advantages:

- gives good results even for a relatively small business;
- allows you to influence a certain type of audience;
- to make an advertisement radio clip is simple enough and inexpensive;



- brings advertising to people who are active;

radio is one of the most intimate mass media. This is a valuable quality for the advertiser; it is easy to make changes, both in the text of the advertisement, and in the plan of its sound on the air; the radio audience is usually a little younger than typical newspaper readers, and therefore more willingly purchases new goods and services.[59]

The radio station "Europe +" was also chosen not by chance, so the audience of this radio is mostly composed of young and middle-aged active people. Therefore, it is planned to place rollers for a duration of 5 seconds (the cost of making 500 UAH, the cost of placement - 70 UAH). Advertising on the radio is planned to be placed 3 times a day (morning, afternoon and evening).

In order to create a positive image and attract customers' attention, the firm can sponsor various city events (50 thousand UAH, once a year).

The image of the firm is a factor of customer confidence in the company and its product, the factor of growth in the number of sales and therefore, the factor of prosperity or decline for the firm, its owners and its employees. In order to create the image of a successful, serious company, it is necessary to fulfill the following tasks:

Satisfy customers' desires. Employees of the firm should apply an individual approach to each client in order to identify all his needs and perform the service in such a way that it meets the expectations of the client and his desires. It should be remembered that the unethical behavior of one employee can destroy the image of the firm forever in the eyes of the client. Consequently, the company's staff must have communication skills.

Image support through mass media, participation in various charities, exhibitions. Image support is an integral factor in the long-term development prospects of the company. It is necessary to constantly remind clients about the existence of the firm. Participation in charity even in the name of the image, can bring new clients as well, since the most affluent people of the city are not rarely involved in them. High salary for employees. By raising wages, the company improves not only its image,

but also the so-called internal image among its employees. In this way, motivating the employee to a responsible and conscientious attitude to work.

Social responsibility. People working in the enterprise, their skills, knowledge, experience and health are the main resources of the firm, on which depends successful activity of the whole company. Therefore, the issues of personnel development, creating the most comfortable working conditions and providing a competitive compensation package are extremely important for the firm.

For this purpose, the following tasks need to be addressed:

1. Support of personnel of the firm. The support of personnel also contributes to the formation of a positive internal image of the firm. Includes: providing a full-fledged meal at lunch time and a partial compensation for the cost of food; organization and financing of sports events for workers and their family members; organization and financing of cultural events; partial compensation of treatment in sanatoriums, rest homes and children's camps; material help;

2. Payment of necessary taxes. Payment of the necessary taxes for the development of the social sphere in the country;

3. Allocation of funds for retraining of personnel. It is necessary to develop and implement ongoing staff development programs in various fields: technical training, training in occupational safety and safety, training in improving managerial skills for all levels of management. Development and implementation of the "Human Reserves" program, with the help of which it would be possible to resume human resources.

### **3.2. The prediction of the success of the economic strategy in café «Palermo»**

The program of development of the cafe «Palermo» should represent a balanced set of measures of socio-economic, scientific and technical, organizational and economic character, aimed at implementation of the adopted basic and functional strategies, including timeframes, performers, sources of resources. The main purpose of creating such a program is to develop a strategic plan for enterprise development. According to the example of other enterprises, a properly selected system of strategies, containing a

series of interrelated specific functional strategies, provides the company with an annual growth rate of about 10%.

The prospect of strategic management in cafe «Palermo» is the strategic management of the enterprise for weak signals, the introduction of advanced methods of strategic management, as well as the attraction of skilled management personnel. The main focus in this context is to improve the marketing strategy and product development strategy.

The correct definition of a strategy for any business requires taking into account three factors:

- needs of consumers, or what needs to be done (including services);
- groups of consumers or for whom hotel services are made;
- technological or functional execution, that is, how consumers' needs are satisfied.

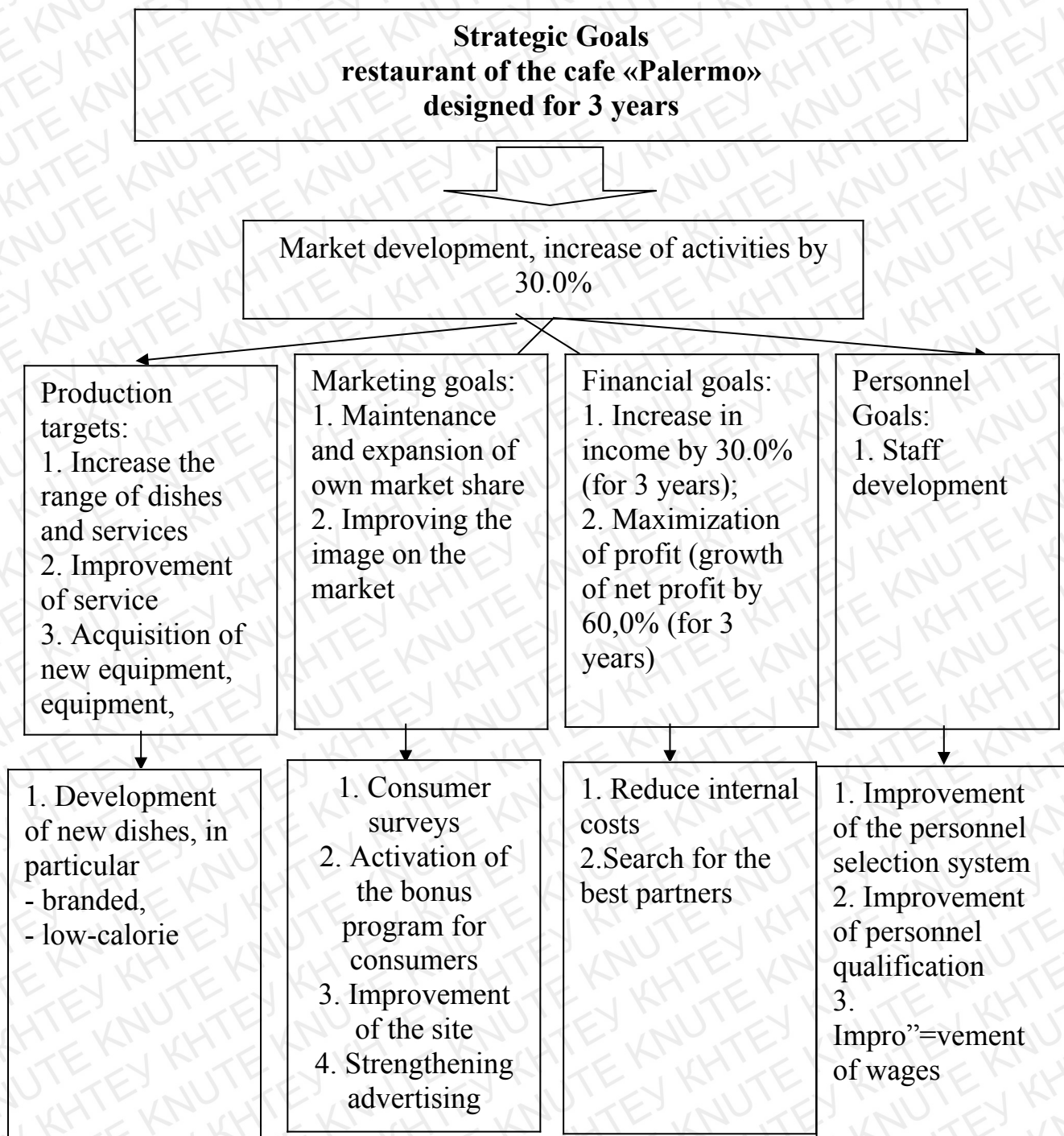
Taking into account the above, the main goal for realization of the chosen strategy of cafe «Palermo» can be accepted: for three years to strengthen positions and expand the scope of activity by 30,0% in the market of restaurant services. Within the framework of the strategy of strengthening the position on the market should operate in the following functional areas: production, marketing (marketing), finance, personnel.

In Figure 3.3. The "purpose tree" is presented by the cafe «Palermo», the general purpose of which is to develop the market, increase the volume of activities by 30.0%. The indicated indicator is planned and its value is partly based on previous experience of the enterprise, and partly on the forecasted market trends of restaurant services made by analysts of this segment of the market.

Thus, according to the forecasts of the market of restaurant services, the increase in the range of offered services and dishes, the inclusion in the menu of more branded and authored dishes is very relevant for women, the proposal is low-calorie dishes. In order to improve the consumer engagement policy, it is necessary to study them thoroughly, in particular by conducting questionnaires. It is quite important in modern business to use Internet technologies for informing, advertising and attracting consumers. All these measures can not be implemented well without well-trained and



motivated staff, so it is important to pay attention to the system of personnel development in the context of improving the system of selection, qualification improvement, improvement of remuneration and so on.



**Figure 3.3. "Wood target" for strategic development of the caf «Palermo»**

On the basis of strategic guidelines, a strategic plan for the restaurant development of the cafe «Palermo» can be developed (Table 3.4.)

*Table 3.4*

**Strategic plan for the restaurant development of cafe «Palermo» for the period of 2019 - 2021**

<b>Functional spheres</b>	<b>Areas of activity</b>	<b>Specific measures</b>	<b>Responsible</b>
Production activity	Increase the range of dishes	Extension of assortment of branded and dessert dishes. Development of low-calorie dishes	Chef
	Improvement of service	Made dishes to order	Administrator
	The introduction of dishes, napkins, etc. with a logo	Purchase of dishes, napkins, etc.	Chief Accountant Administrator
	Improved automation	Purchase of automatic machines for the preparation of pancakes and sliced meat products	Chief Accountant Chef
	Expansion of services	Implementation of catering (for the future perspective)	Director of the restaurant Chef
Marketing activity	Maintenance and expansion of own market share	Questioning consumers	Marketer
	Improving the image on the market	Improvement of the site	Chief Engineer Marketer
		Activation of advertising activity	Marketer
		Activation of the bonus system for consumers	Marketer
		Participation in specialized exhibitions	Director of the restaurant Marketer
Financial activities	Increased revenue by 30.0%	Growth of activity	Director of the restaurant
	Maximization of profit (growth of net profit by 20,0% (for 3 years)	Reduce internal costs Search for the best partners	Chief Accountant Director of the restaurant
Personnel activity	Staff development	Development of the personnel selection system	Personnel Manager
		Improvement of personnel qualification	Personnel Manager
		Improvement of wages	Chief Accountant

Let's consider in detail the prospects of development of the sphere of activity of the cafe «Palermo».

*Production activity.* Manufacturing at the enterprise is the core . It operates thanks to the rational combination of time and space of tools, as well as labor and the work itself. As an object of management, production is a dynamically developing system whose elements are interrelated and interdependent. At this enterprise, the production units are united by a single production process and therefore the production links between them do not break. Only the economic relations and the relation of management change.

Important in organizing the work of the restaurant is a constant search for ways, further improvement of the production structure of the public catering enterprise in space. The main factors of the development of production structures in space:

- continuous study of achievements in the field of design and development of production structures in order to adapt and move the structure of the company to new developments in this field and to new products;
- optimization of quantity and sizes of trade and production divisions of the enterprise;
- ensuring a rational relationship between the main and auxiliary units, optimizing their number and size;
- rational planning of departments and general plan of the enterprise;
- ensuring the compliance of the components of the production structure with the principle of proportionality of production capacity, technological progressiveness, the level of mechanization and automation, qualifications of personnel, etc .;
- ensuring the conformity of the structure of production with the principle of directness of technological processes with the aim of reducing the length of the passage of labor objects;
- ensuring the compliance of the quality level of processes in the system (production structure of the enterprise) with the quality level of the "input" in the system. Then the quality of the "exit" of the system will be high;



- reduction of the normative term of the use of fixed assets.

Important for the restaurant is the expansion of the range of branded dishes, and the allocation for them in the menu of a separate column, it can immediately affect the increase in sales of branded dishes.

It is necessary to more actively implement modern information technologies. This will increase the productivity and efficiency of employees through the automation of activities. Automation and computerization of the processes of maintenance, management, accounting for the restaurant cafe «Palermo» is a very topical problem. Widespread use of the Internet will allow the use of huge system capabilities.

Strategic planning in cafe «Palermo» should come from the fact that the person forms the basis of the organization, its essence and its main wealth. And from the fact, to what extent it will be able to use its potential, the success of the restaurant in the competitive struggle essentially depends on it. People behave differently, they have a variety of abilities, a diverse relationship to their cause, to organization, to their responsibilities, people have diverse needs, their motives for activities can vary significantly. Finally, people in different ways perceive people who surround themselves and themselves in this environment. All this suggests that the management of a person in an organization is extremely complex, but at the same time, it is an exclusively responsible matter. The management of the cafe «Palermo» should pay special attention to this issue.

The main requirements for the personnel of the cafe «Palermo» and the future should be:

- availability of education in the field of economy and restaurant management (for the management);
- regular staff qualification upgrading;
- availability of work experience in a restaurant or related areas of activity;
- moral and ethical qualities;
- purposefulness;

- ability to work in a team.

Financial strategy On the basis of the developed proposals, it is possible to justify a financial strategy, which will consist in the fact that within 3 years to increase the income of the hotel and restaurant complex by 30.0%. Planned calculation of financial results and profitability of the enterprise is shown in the table. 3.5, which provides for:

- to increase revenues by 8.0% during the first year, and expenses at a lower rate - by 6.0%;
- to increase revenues by 10.0% during the second year, and expenses at a lower rate - by 8.0%;
- to increase revenues by 12.0% during the third year, and expenses at a lower rate - by 10.0%.

Smaller growth rates compared to income growth rates are based on the fact that with the growth of volumes of activity, the variable part of the costs will have the same growth rates, and constant costs remain unchanged. Regarding the sources of financing costs provided by the strategic plan, this may be: 1) depreciation, 2) undistributed profits, 3) some of the costs should be attributed to the cost.

To calculate the financial indicators, we assume that the hotel will also implement a strategy that will increase the overall income of the cafe «Palermo».

*Table 3.5.*

**Plan of financial results  
cafe «Palermo» for the next 3 years**

Indexes	Base year - 2017	Plan on 2019 year	Plan on 2020 year	Plan on 2021 year	Absolute deviation			Relative deviation		
					Plan on 2017 year	Plan on 2019 year	Plan on 2020 year	Plan on 2017 year	Plan on 2019 year	Plan on 2020 year
					/ 2019 year	/ 2020 year	/ 2021 year	/ 2019 year	/ 2020 year	/ 2021 year
Revenue from the implementation of services	6661	7194	7914	8863	533	719	950	8,0	10,0	12,0
VAT	1124	1214	1335	1496	90	121	160	8,0	10,0	12,0

Net income	5537	5980	6578	7367	443	598	789	8,0	10,0	12,0
Cost of services	2366	2508	2709	2979	142	201	271	6,0	8,0	10,0
Gross profit	3171	3472	3869	4388	301	397	518	9,5	11,4	13,4
Other operating income	88	95	105	117	7	10	13	8,0	10,0	12,0

*Continue Table 3.5.*

Indexes	Base year - 2017	Plan on 2019 year	Plan on 2020 year	Plan on 2021 year	Absolute deviation			Relative deviation		
					Plan on 2017 year / 2019 year	Plan on 2019 year / 2020 year	Plan on 2020 year / 2021 year	Plan on 2017 year / 2019 year	Plan on 2019 year / 2020 year	Plan on 2020 year / 2021 year

Administrative expenses	854	905	978	1075	51	72	98	6,0	8,0	10,0
Selling expenses	247	262	283	311	15	21	28	6,0	8,0	10,0
Other operating expenses	716	759	820	902	43	61	82	6,0	8,0	10,0
Operating profit	1442	1641	1893	2216	199	253	323	13,8	15,4	17,1
Other financial income	7	7	7	7	0	0	0	0	0	0
Profit from ordinary activities before taxation	1448	1648	1901	2224	200	253	323	13,8	15,3	17,0
Income tax from ordinary activities before taxation	304	313	333	367	9	20	34	3,0	6,2	10,3
Net profit	1144	1335	1568	1857	191	233	289	16,7	17,5	18,4

Based on the planning of income and expenses of the cafe «Palermo», which will be characterized by gradual growth, it is possible to calculate the volume of profits. According to the calculations, the net profit may also have a gradual growth and, by the end of the planning period, it is expected to grow from 1144.0 ths. in 2017 to 1857,0 thousand UAH, that is 62,3%. Such a plan can be implemented based on the introduction of an advanced range, thought-out marketing policy and optimal costs. It can also be assumed that the economic situation in the country for 3 years will be



gradually improved, which will affect the increase in the solvency of the population.

Taking into account the developed strategy, which is based on taking into account the current state of the economy and the specifics of the restaurant market, it can be predicted that the restaurant of the cafe «Palermo» will achieve significant success.

### **Conclusions to section 3**

The formation of the restaurant strategy of the cafe «Palermo» should begin with the strategic monitoring. Creation and functioning of the strategic monitoring system is promising as it will help the restaurant to study its internal and external environment in detail and, based on the analysis, to make sound and effective management decisions.

The strategic direction of the restaurant development of the cafe «Palermo» can be either concentrated growth or integrated growth. To determine the type of restaurant development strategy of the cafe «Palermo», which should be selected, it was conducted a survey on which 5 alternative strategies for the development of the restaurant were proposed and they needed to determine the significance of each of the proposed strategies. Thus, on the basis of the survey choose a strategy to strengthen positions in the market.

The main benchmarks for developing the restaurant's goals for the restaurant are as follows: 1) the gradual growth of the existing level of sales of restaurant products, 2) improvement of the quality of consumer services, 3) improvement of the financial condition of the enterprise, 4) maximization of current profits .

Taking into account the above, the main goal for realization of the chosen strategy of the cafe «Palermo» can be accepted: for three years to strengthen positions and expand the scope of activity by 30,0% in the market of restaurant services. As part of the strategy to strengthen the position on the market, measures have been developed in the following functional areas: production, marketing (marketing), finance, and personnel.

## CONCLUSIONS AND SUGGESTIONS

1. The purpose of the diploma project presented was the introduction of economic strategies approach to modeling the activities of the enterprise based on the planning of the company's activities. This approach has made it possible to improve the efficiency of management decisions and, as a result, to substantially increase both managerial and economic efficiency.

2. In the thesis project the main directions of economic strategies are considered in detail: reduction of direct costs, increase of efficiency of operational management, optimization of production plan, increase of efficiency of marketing activity, increase of efficiency of making managerial decisions, optimization of organizational structures, effective interaction of business processes and structural divisions.

3. Recommendations on the introduction of a post of a marketer are given. The main aspects of development of marketing policy, enterprise, goals and objectives are defined, strategy, marketing plan is developed, and recommendations on creation of the company's image are given.

4. The result of the introduction into the state of the marketer and bringing the marketing goals and objectives into action will allow to increase the economic and managerial efficiency in all areas considered, by optimizing the cost of financial and material resources, reducing the time management problems and ensuring a close relationship between business processes of the enterprise.

5. The cost of introducing the post of a marketer is taken into account. The quantitative indicators of economic and managerial efficiency of conducting advertising activity by the marketing specialist are calculated. The effectiveness of promotional activities before the introduction of a marketer into the state of the organization and after it is calculated. Also, the rest of the staff appeared more time to solve their own tasks, resulting in an increase in the efficiency of the entire department.

6. Summing up the final qualifying work, you can draw the following conclusions. In the first chapter of the diploma, we examined the theoretical basis for the economic strategies.

7. Considered the essence of planning, what requirements should be met for competent and accurate planning of the company's activities. Identified five principles of planning activities in the organization. Also considered the types of planning and its role in the activities of the enterprise.

8. In the second chapter of the diploma project, the characteristics of the activity of the cafe «Palermo» are analyzed.

9. Organizational structure of cafe «Palermo» - linear-functional. This structure has a number of advantages - it is the simplest: it has one communication channel (vertically), each subordinate has only one boss. It promotes clear and operational management, increasing the responsibility of the manager for the effectiveness of the department headed by him.

10. An analysis of the financial and economic condition of the company in the period from 2015-2017 has also been made. These analyzes allowed us to see the whole picture of the enterprise as a whole: net profit by the end of 2017 decreased by 20%

11. At the end of 2017, the company's profitability indicators were also lower compared to 2016, the profitability of the company decreased by 4%, and the profitability of the sale increased by 2%. Reducing the company's profitability and reducing net profit is associated with the global economic crisis, with the decrease of large solvent customers and a decrease in sales volumes, the liquidity ratios are within the regulatory limits, and there is a slight increase in them. Thus, one can conclude that an enterprise is solvent, liquid, but has an unstable financial state.

12. During the analysis of the external and internal environment of the organization revealed that the weakest side is the lack of a marketer in the state of the enterprise, and the inefficiency of promotional campaigns. Therefore, it is necessary for the cafe «Palermo» to improve its activity, increase its economic efficiency.

13. The third chapter provides recommendations for improving the company's activities based on the weaknesses of the SWOT analysis. The following methods have



been proposed to increase the efficiency of the organizational structure of cafe «Palermo»: 1) It is necessary to improve the marketing policy, and for this purpose it is necessary to introduce the position of a marketer, to review the methods of carrying out the advertising campaigns of the events held by the firm, to introduce a flexible system of discounts on electrical products. All these improvements will allow you to attract new customers, increase sales, and, consequently, increase profits; 2) An effective plan for marketing policy has been developed for the trajectory structure of the tree's objectives. This plan involves methodically improving its position in the market through hierarchical achievement of the intended purpose; 3) the recommendations on creation of the company's image are given, as a result of which the competitiveness and recognizability of the firm will increase among others, as well as stimulates the potential buyer to re-purchase; 4) the method of effectiveness of the advertising company is calculated taking into account the goals and objectives set before the marketer.

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## Appendices

### Appendices A

#### Article «Total Quality Management in hospitality industry»

Appendices B

**Balance sheet Form no.1**

1	2	3	4
I. Non-current assets	1000		
Intangible assets	1001		
initial value	1002		
accumulated depreciation	1005		
Incomplete capital investment	1010		
Fixed assets	1011		
initial value	1012		
wear and tear	1015		
Investment Property	1020		
Long-term biological assets	1030		
Long-term financial investments:	1035		
which are accounted for using the equity method of other enterprises	1040		
other financial investments	1045		
Long-term receivables	1090		
Deferred tax assets	<b>1095</b>		
Other non-current assets	1100		
Total for Section I	1110		
II. Current assets	1125		
Stocks	1130		
Current biological assets	1135		
Accounts receivable for products, goods, works, services	1136		
Accounts receivable by settlement:	1155		
on advance payments	1160		
with budget	1165		
including income tax	1170		
Other Current Accounts Receivable	1190		
Current financial investments	<b>1195</b>		
Money and their equivalents	<b>1200</b>		

**Balance sheet Form no.2**

**I. Financial results**

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net income from sales of goods (goods, works, services)	2000		
Cost of sold products (goods, works, services)	2050	()	()
Gross:	2090		
Profit	2095	()	()
Loss	2120		
Other operating income	2130	()	()
Administrative expenses	2150	()	()
Selling expenses	2180	()	()
Other operating expenses	2190		
Financial result from operating activities:	2195	()	()
Profit	2200		
Loss	2220		
Income from equity participation	2240		
Other financial income	2250	()	()
Other income	2255	()	()
Financial expenses	2270	()	()
Losses from equity participation	2290		



Other expenses	2295	( )	( )
Financial results before tax:	2300		
Profit	2305		
Loss	2350		
Income from income tax	2355	( )	( )

### II. Comprehensive income

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Revaluation (subtraction) of non-current assets	2400		
Revaluation (subtraction) of financial instruments	2405		
Accumulated exchange rate differences	2410		
Share of other aggregate income of associates and joint ventures	2415		
Another cumulative income	2445		
Other comprehensive income before tax	<b>2450</b>		
Income tax linked to other comprehensive income	2455		
Other comprehensive income after tax	<b>2460</b>		
Total revenue (amount of lines 2350, 2355 and 2460)	<b>2465</b>		

### III. Elements of operating expenses

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Material costs	2500		
salary expenses	2505		
Deductions for social events	2510		
Amortization	2515		
Other operating expenses	2520		
Together	<b>2550</b>		

**Calculation of profitability of shares**

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Average annual number of ordinary shares	2600		
Adjusted average annual number of ordinary shares	2605		
Net profit (loss) per one ordinary share	2610		
Adjusted net profit (loss) per one ordinary share	2615		
Dividends for one common share	2650		

Head

Chief Accountant

Official Marketing Instruction

1. General provisions

- 1.1. The marketer belongs to the category of specialists.
- 1.2. A person who has a higher professional (economic or engineering-economic) education and experience in a marketing specialty for at least one year is appointed to the post of a marketer.
- 1.3. A marketer is appointed to the post and exempted from it by order of the general director of the organization.
- 1.4. The marketer must have analytical, communication skills, ability to perspective planning.
- 1.5. The marketer should know:
  - legislative normative acts, methodological materials on the organization of marketing, assessment of financial and economic status and market capacity;
  - methods of studying market conditions and developing demand forecasts for the service being implemented;
  - peculiarities of advertising organization organization;
  - methods of working with mass media;
  - the main technological and constructive characteristics and consumer properties of the service being implemented, its advantages and disadvantages;
  - methods of studying the motivation of consumers, their attitude to the service being released;
  - bases of labor legislation;
  - computer technologies;
  - organizational and administrative documents of the leaders of the organization;
  - rules of internal labor regulations;
  - rules and norms of labor protection;
  - the ethics of business communication.
- 1.6. The marketer in his activity is guided by this official job description.
- 1.7. The marketer submits directly to the director of the firm.

2. Obligatory duties

- 2.1. Study of the market for the implementation of the service.
- 2.2. Advertising activities.
  - 2.2.1. Takes part in developing a strategy for advertising events.
  - 2.2.2. Controls advertising campaigns in the media, the Internet, etc.
  - 2.2.3. Analyzes the effectiveness of promotional activities.
  - 2.2.4. Prepares proposals for the formation of firm style of the firm and corporate design of advertising products.

3. Rights

The marketer has the right:



3.1. Inquire from executives, specialists and other employees of the company information and documents necessary for the performance of his or her duties.

3.2. Get acquainted with the decisions of the management of the enterprise concerning its activities.

3.3. Make proposals for improving the work related to the duties provided for by this job description, for consideration by the management.

3.4. To report to the direct manager all the shortcomings identified in the process of performance of their official duties in the activity of the enterprise and make proposals for their elimination.

3.5. Require the management of the enterprise to assist in the execution of their job and rights.

#### 4. Responsibility

4.1. The marketer is responsible for labor and civil law:

for improper performance or non-fulfillment of his official duties provided for by this job description;

for causing material damage and damage to the business reputation of the organization;

for the disclosure of commercial secrets;

for failure to comply with orders, orders and instructions of the management.

#### 5. Working conditions

5.1. The mode of operation of the marketer is determined in accordance with the rules of the internal labor regulations established in the organization. The instruction is familiarized with: \_\_\_\_\_ / \_\_\_\_\_ (signature) (FOI)

" " \_\_\_\_\_

APPROVED \_\_\_\_\_ (F.I.O.) Director of the enterprise (institution, organization) of the cafe

«Palermo»