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Department of management

FINAL QUALIFYING PAPER

on the topic:

«Improvement of the control system at the enterprise»

(based on materials of «ALEANA» LLC, Obukhiv city)

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INTRODUCTION

Relevance of the research. In the management system of any enterprise control plays a significant role. A well-organized and structured control system is necessary in modern changeable conditions of a business environment. Control is a key factor on the way to success for the enterprise. Except of providing effectiveness of the development, helping in understanding a financial situation of the enterprise, it is also a lever for creating a successful strategy and setting new goals. In current business environment, managers should know more information than their competitors, always be ahead with knowledge of new trends and use modern techniques in management. As the situation in economics all over the world changes rapidly, it is necessary to monitor all aspects of life not only inside the enterprise, but also outside. Only having a high-quality control system and improving it all the time, enterprise will be able to be competitive, make a high profit and achieve goals. The growing essence of necessity of well-organized control system at the enterprise determines the relevance of the research.

Some foreign and Ukrainian scientists have made researches connected with the aspect of the control system at the enterprise. Among them it is necessary to mention R. Simons, A. Fayol, H. Hanif, L. Siska, K. Mullakhmetov, M. Stehnei, K. Merchant, L. Silva-Domingo, S. Sljivic, Z. Xianzhi, M. Shesternyak, S. Gitesh and others [1-46]. Scientists investigated a lot of themes connected with control and creating a strong control system. But there are a lot of new approaches and informational technologies that appeared without attention, which can help in building a competitive control system in modern conditions.

Purpose of the paper is to develop scientific approach to improving the control system at the enterprise “ALEANA” LLC. According to the purpose, there are such **tasks** were set: 1) define the essence, main tasks and elements of control system at the enterprise; 2) research methods and indicators of control at the enterprise; 3) provide a decomposition analysis of control system at the enterprise “ALEANA” LLC; 4) evaluate the efficiency and effectiveness of the enterprise

control system; 5) plan measures to improve the enterprise control system based on best international practices; 6) predict evaluation of the results of improving the enterprise control system.

Object of the research is the process of improvement of the control system at the enterprise.

Subject of the research is theoretical, methodical and practical aspects of the control system improvement at the enterprise “ALEANA” LLC.

General and special methods were used in the research such as analysis, systematization, conclusion, comparison, modeling, monitoring, classification, experiment.

Initial data of the final qualifying paper: reporting of the enterprise, data of own researches, statistical data, results of researches of domestic and foreign scientists, etc.

Scientific novelty of obtained results refers to the development of existing researches in the sphere of control and creating new theoretical and methodological aspects to the improving of the control system of the enterprise.

Improved: systematization of definitions of the term “control system”, classification of control indicators, which will help to understand the state of control system of the enterprise from different sides.

Further developed: methods and practical techniques that will help to increase the effectiveness of the enterprise’s activity with the using of improved control system at the enterprise.

Practical significance of the research refers to the development and giving important recommendations for improving the control system at the enterprise with the using of reporting data of "ALEANA" LLC. The results of the research were partially covered in scientific article (Appendix A).

Structure and scope of the research. Research consists of the introduction, three parts, conclusions and recommendations, references and appendices. The main content of the research is set out on 51 pages. The work contains 24 tables, 3 figures. References include 50 items of sources.

PART 1

THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF THE CONTROL SYSTEM AT THE ENTERPRISE

1.1. The essence, main tasks and elements of control system at the enterprise

Every business entity functions in uncertain environment. The main task of managers and directors of the enterprise is to measure uncertainty and make right decisions how to act in every situation. Effective and smart solutions will be the fastest way to success of the enterprise. Control system will make a major contribution in achieving short-term and long-term goals of the enterprise.

One of the main functions of management is control. It helps to monitor opportunities and threats of the enterprise, predict the activity on the certain period, assess every process and provide conditions for effective management process. Control system lets the enterprise notice all risks on time and make intelligent decisions how to solve a problem and not become a bankrupt. The successful functioning of any enterprise is impossible without a well-organized integrated internal control system. Top-managers of every company spend a lot of time and efforts to establish a system of strict control over different important operations. Control system has to be concentrated on using of all recourses of the enterprise: material, financial, human and investment.

Management control has different objectives, for example, accuracy in financial statements, certainty of upcoming information, compliance with laws and rules, etc. In spite of all these spheres (audit, economics, law) are different, they unit each other and set up the one system of control.

The importance of control and impossibility of success at the enterprise without it was mentioned by A. Fayol [3, p.63]. He considered that well-organized control is necessary for successful management; it can be a supplier of valuable information, which normal routine supervision is not able to give. Control may be

carried in different circumstances and can prevent unpleasant situations that can lead to a disaster.

Control is a function of management that is responsible for achieving high quality of work of the enterprises and organizations. Role of control in the activity of enterprise is very significant. It has an integrated nature. It includes the implementation and evaluation success of the management process and also the individual functions, while providing management with information at all stages of development and implementation of management decisions.

S. Slavoljub defines management control as “...a process in which organization strives to achieve the planned or desired results, or performances” [35, p. 40]. Management control helps managers to minimize a negative impact of internal and external environment’s influence. According to H. Hanif, management control “...conducted in a formal mechanism, beginning from setting up company’s goal and strategy, followed by elaborating them into work program, and elaborating work program into budget.” [12, p. 1199]. K. Merchant emphasizes that management control is the instrument for managers to make sure that their employees work hard to reach the objectives [24, p. 11]. Management control protects the enterprise from undesired actions, which employees can perform.

Simons [2] in his concept “Levers of control” stated that control of business strategy is achieved by integrating the four levers of beliefs systems, boundary systems, diagnostic control systems, and interactive control systems. He mentioned that functioning of these levers together, not separately, lead to the success of the strategy and stimulation of growth control.

Diagnostic control systems are the essential management tools for transforming planned strategies into realized strategies. Their goal is to achieve results for the business or individuals within the business. Interactive control systems are used for making experiments and finding opportunities that may result in emergent strategies. Beliefs systems are used to inspire intended and emergent strategies, and can include management’s vision, which motivates managers to

create or search for opportunities to complete mission of the enterprise. Boundary systems are used to control an opportunity-seeking activity.

Taking into account the above definitions and results of the research, we can identify the role of control in the management system. Control has an integrated nature as it is involved in the implementation and evaluation not only management process as a whole, but also individual functions while providing the management with information at all stages of development, adoption and implementation of management decisions with the methods of preliminary, current and final control. K. Mullakhmetov interprets the role of control as "...the analysis of decision-making is considered fragmentarily and is reduced to the establishment of feedback at the final stage of the entire process of preparation, adoption and implementation of management decisions" [26, p. 4].

The concept of control system at the enterprise has been researched by a lot of scientists. There is a systematization of approaches to the definition of the concept "Management control system" (table 1.1).

Table 1.1

**Systematization of approaches to the definition of concept
"Management control system"**

Source	Management control system
Siska. L. (2015) [34]	is perceived nowadays as a set of controls which managers have at their disposal to steer the organization towards the predetermined goals
Simons, R. (1987) [1]	is explained as formal systems and procedures that use information to maintain or change patterns of activity within the organization
Merchant, K.A. and Van Der Stede, W.A. (2017) [24]	includes performance measurement mechanisms that organizations use to verify whether the results are aligned with the objectives and to assess managers' performance
Silva-Domingo, L. (2015) [33]	implies a conscious design of every control mechanism and also of the interaction role of each part of the whole; a design with the objective of influence the behavior of members in the organization

Source: Developed and systematized by the author.

Management control is considered as a system, when it implements the activities on a regular or continuous base. An organization should study management control elements first and only after that use control in its regular

operations. Elements of control system are the factors that reveal the essence of control and all parts of control system at the enterprise.

Z. Xianzhi emphasizes that management control environment is the most important element of control system. This is the basis of all other management control elements, procedures and modes. Management control environment is the first thing that enterprise should monitor in order to know its current situation [43, p.35].

Management control environment is considered to be divided into the external and the internal environments. The external environment includes such environments as social, political, technological, business, industry competitive, suppliers, customers, etc. They also contain additional factors. For instance, social and political environment includes moral, culture, ecology, religion factors; government environment includes the factors of law and regulations; international business environment consists of exchange rates, international capital markets, and international trade policies. The internal environment of management control consists of organizational strategy, organizational structure, responsibility center, enterprise culture and human resource in most cases [43, p.36].

1) Organizational strategy. It is important for construction of management control system. Formulation of strategy is the process of determining objectives of the enterprise and how to achieve them, while management control ensures the effective implementation of strategies.

2) Organizational structure. It is very important for the enterprise to establish the organizational structure according to the strategy of the enterprise. Key functional departments must be chosen and the personnel at different levels of management must have enough knowledge and experience.

3) Responsibility centers. A company should allocate responsibility centers in appropriate way and rely on management orders. Responsibility centers have to include revenue and profit centre, expense center, investment center. The enterprise should have coordinated delegation of obligations. It also should analyze different situations and produce the knowledge in accordance to the requirements

of employees. The enterprise has to establish the evaluation mechanism of responsibility and motivation.

4) Human resources. The enterprise should provide all necessary processes such as appointment of employees, their trainings, promotion and elimination. It is necessary to create a motivational mechanism and evaluation of effectiveness of their work.

5) Enterprise culture. The enterprise should establish systematic and adaptive culture for development of positive and unique cultural atmosphere. The company has to improve negotiations between employees and create its own philosophy of running a business. It should establish principles of fairness and corporate values [43, p.36].

There are three types of control:

1) input (feed forward control) – anticipates problem, refers to a preliminary or preventive control that attempts to identify and prevent deviations in the standards before their occurrence;

2) process (concurrent control) – corrects problem as they happen, regulates ongoing activities and ensures that they must follow the organizational standards;

3) output (feedback control) – corrects problems after they occur, focuses on the output after project is completed. It is applied to check whether the actual information is as per the set of standards.

Internal control systems are vital in the enhancement of financial performance of the enterprise [17]. According to K. Mullakhmetov, control implements important tasks [26, p.211]:

1) providing accurate, timely and full information about deviations in processes of development and functioning of the organization which is necessary for solving a problem, preparation and making management decisions at operational level, planning at tactical level and setting of the goals at strategic level;

2) monitoring of the functioning and development of the organization and on-time informing about significant deviations from the expected intermediate results in comparison with standards of management and effectiveness;

3) comparison of the gained and expected results and revealing mistakes; collection, comparison and analysis of deviations, their consequences and reasons, presentation of corrective actions, which refer to effects of revealed deviations (the ways how to eliminate negative results) and their reasons (why it was possible and what to do to avoid it in future).

To make a conclusion, the existence of control at the enterprise lets implement such tasks:

- 1) ensure continuity of implementing strategy of the enterprise;
- 2) save and use resources of the enterprise rationally;
- 3) provide accurate information to management of the enterprise;
- 4) monitor and prevent financial and commercial risks on time;
- 5) follow corporate rules, plans of documentation and orders of audit;
- 6) provide correctness and completeness in registration of primary documents.

1.2. Methods and indicators of control at the enterprise

Methods of control are necessary part of the control system at the enterprise. The choice of the method depends on the objectives of control, subject and object of the control system at the enterprise.

Methods of control help the enterprise to achieve planned goals and include:

- 1) accounting methods (using a chart of accounts and double entry accounting system, inventory counts and documentation of the business processes, creating a balance sheet);
- 2) management methods (determining responsibility centers and cost centers, cost rationing);
- 3) control-revision methods (verification of documents and arithmetic accuracy of calculations; research of compliance with the accounting rules of certain business operations, inventory, interview, request and confirmation, etc.).

According to the research of M. Shesternyak [46] we can reveal that methods of control can be equal to the ways of control implementation. Audit, inspections, economic analysis, thematic inspection, research are considered as methods of control.

Control methods can be classified into quantitative and non-quantitative. Quantitative methods include data and other quantitative tools to monitor and control amounts of production. The most common quantitative tools are budgets and audits.

One more necessary tool is a chart, which is used to show time and activity in contrast. A visual effect of a chart is one of its advantages, which helps to absorb information faster. Nowadays a lot of charts are derivatives of the Gantt chart or the Program Evaluation and Review Technique (PERT).

Traditional and modern methods of control are presented in table 1.2.

Table 1.2

Traditional and modern methods of control

Name of the method		Characteristics of the method
Traditional	Budgetary control	Budget of the enterprise is a program for reaching the objectives for a certain period of time. They are used as facts that must be integrated into the process of planning the operation. Budgets are also used for previous descriptions and financial information, which will be used in annual resource management.
	Internal audit	Internal audit provides an independent evaluation of accounting, financial and other operations. From a management point of view, the audit measures and evaluates the effectiveness of management control system at the enterprise.
	Personal observations	The most traditional and popular method of control. It allows managers to monitor the activity of their subordinates. Usually managers note down what they observe and can analyze productivity of the employees. Comparison of effectiveness in the current year to the previous one can show the effectiveness of enterprise's activity.
Modern	Responsibility accounting	This method is divided into different responsibility centers. The heads of each department is named as "Responsibility Head", because he is responsible for the development and growth of the department. There are different centers, for example, cost center, revenue center, profit center, investment center, etc.

Name of the method		Characteristics of the method
	Management audit	This method is used for measuring the effectiveness of manager's activity. This is quite a new tool in comparison with financial audit. Management audit considers a development plan in general, actions of managers and emphasizes possibilities of the organization. It provides the changes in existing management style and strategy according to the demands of the environment.
	Network Techniques (PERT & CPM)	<i>Programme Evaluation and Review Technique</i> provides information about planning and control of time and expenditures in the development projects. Critical Path Method helps to analyze different operations and actions, and all connections are determined and demonstrated on the network diagrams.
	Management Information System (MIS)	It provides information and support for effective decision-making process. Right and effective decision can be taken on time only in the situation when managers receive accurate and complete information. Management Communication System helps managers to solve upcoming problems timely.

Source: Structured by the author on the basis of [49].

We can estimate implementation of control at the enterprise with the help of normative method. Normative method is used to evaluate the strategy of the enterprise. This is logical method that contains conditions of intensive type of development.

In the basis of logical method there is such type of economic growth in which high rates of declining of labour costs are predicted in comparison with the cost of materialized value and growth of profit in created value that is ensuring of expanded production. On this basis there is normative structure of growth rates is formed:

$$100\% < T_{LC} < T_{CS} < T_{MC} < T_{CP} < T_{GP}, \quad (1.1)$$

where T_{LC} – growth rate of labour costs;

T_{CS} – growth rate of cost of sales of products (goods and services);

T_{MC} – growth rate of material costs;

T_{CP} – growth rate of commodity products;

T_{GP} – growth rate of gross profit.

Normative series defines conditions of creating and realization of strategy, in which the enterprise can improve its opportunities and advantages.

Degree of conformity of normative and factual series are defined with the help of Spearman's rank, which is calculated according to the formula:

$$K = 1 - \frac{6 \cdot S(d)^2}{n^3 - n}, \quad (1.2)$$

where $S(d)^2$ – the sum of the squares of the ranks' differences of the series' indicators,

n – the number of the series' ranks.

Spearman's rank allows us to monitor general change of economic results' tendency as a result of strategy implementation.

Analysis of S. Sljivic's publication, who researched the indicators of control at enterprise, shows that there are three groups of them for monitoring activities at modern management control systems: financial, non-financial and the combined (financial and non-financial). Indicators of financial performance measure profitability, risk and liquidity. Using only financial indicators will not bring success to the enterprise, because they focus management activity on a narrow circle of variables.

On comparison, the non-financial indicators focus on the impact of those factors that may be equally important for business activity as much as material resources. The disadvantage of traditional financial performance indicators is that they refer to lag indicators. They show that performances that are a result of past plans and strategies, and can do nothing with future activities [35, p.44].

According to the research of M. Stehnei there are such types of indicators [36, p.216]:

1) external, which represent the state of the factors of external environment

and connected with the environment of the enterprise, for example such indicators as market condition, tax policy, competition, etc.

- 2) input, which reflect amount and quality of the incoming resources.
- 3) internal, which describe productivity and efficiency of processes inside the enterprise.
- 4) output – a set of indicators that show how production, services or information requires to the expectations of the interested people.
- 5) summarizing, which are based on the previous integration of the factors of efficiency in realization of the strategy. If the deviations will be found, it can be a trigger for more detailed control in this sphere.

Financial indicators characterize financial conditions of the enterprise and financial results that should be targeted at definite stages of reaching the objectives.

Marketing indicators are used to determine the effect of internal efforts on the behavior of customers. There are such indicators as market share by product, price level, number of customers, distribution channels.

Production or operational indicators define the planned course of production of goods or services.

Personnel indicators determine the quantitative and qualitative characteristics of labor and personnel, which are important for getting positive results.

CEO indicators are used by senior managers to assess the situation inside the enterprise, implement strategy and monitor environment changes that can have a profound impact on the strategy.

Indicators of functional departments or services have combined the most important indicators of control of the following areas of responsibility.

Indicators of business processes are used in the implementation of business processes within the operating strategy.

Individual indicators are oriented at individuals in order to evaluate the role of their actions in getting the results [36].

Classification of control indicators is presented in the table 1.3.

Table 1.3

Classification of control indicators

By control ambit	By directions	By the levels of management
External	Financial	CEO indicators
Input	Marketing	Indicators of functional departments
Internal	Production (operating)	Indicators of business processes
Output	Personnel	Individual indicators
Summarizing		

Source: Structured by the author on the basis of [36].

Consequently, according to the results of the analysis, we can make a conclusion that implementing of control at the enterprise is impossible without using of methods and indicators. Every method and indicator reflects certain aspect of control and reveals separate part of essence of this category. The effectiveness of the control depends on right selection of an appropriate performance management system. It means that managers should develop control system at the enterprise taking into account all the methods and indicators to avoid problems and mistakes in future activity.

PART 2
INVESTIGATION OF THE CONTROL SYSTEM AT THE
ENTERPRISE “ALEANA” LLC, OBUKHIV

2.1. Decomposition analysis of control system at the enterprise “ALEANA” LLC

“ALEANA” LLC is the leading Ukrainian production company for plastics processing. The company manufactures products for kitchen, home, garden and plastic furniture. Production capacity of the company consists of 36 modern high-tech injection molding machines with a locking force from 50 to 1600 tons. Raw materials used in production: polypropylene, polystyrene, polyethylene. The production base of the enterprise is located 40 km from the city of Kiev. The plant has installed and is constantly replenishing a park of equipment which is unique for Ukraine. There is injection molding machines of the latest generation from LS Cable. The most modern technologies and imported materials are used in production.

The company has an extensive distribution network and operates on the market of Ukraine, CIS countries, Europe. Warehouses are equipped with technologies for fast loading of goods. Logistics department generates a route for convenient and fast delivery of goods to the customer. The range of products of the company is constantly expanding; designers are developing new models and designs. The main principles of work – high quality, reasonable prices, fast delivery. “ALEANA” LLC operates in accordance with the international quality management system ISO 9001: 2008 and has a corresponding certificate with the number NQSP-0061 / 09-13. All manufactured products have an EAN barcode. “ALEANA” LLC has its own brand store and recently launched online-shop. A separate area is the manufacturing of products under licensing agreements with the customer, such as television cases "Samsung Electronics Ukraine", "Saturn", packaging and manufacturing of products to order. The company's products are

widely represented in retail chains in Ukraine, the Russian Federation and the Republic of Belarus: “Epicenter – K”, “Nova Liniya”, “Karavan”, “Amstor”, “Megamarket”, “Kviza Trade”, “Auchan”, “Metro Cash & Carry”, “Leroy Merlin”, “Praktiker”.

Management control of the enterprise is the integral element of every stage of management process. It is separate stage that provides information transparency regarding quality of management process at all other stages. Procedures of control at “ALEANA” LLC are determined by the competence of top managers, managers, workers, delegation of functional responsibilities, control of access to assets and documents, implementation of periodic comparisons of credentials. These components of internal control system should provide prevention, revealing and correction of mistakes and distortion of information in the preparation of financial statements. Management of “ALEANA” LLC develops an efficient system of internal control and considers a variety of circumstances including those which are included in the task of different subdivisions. The responsibilities of all employees at “ALEANA” LLC are distributed in order to improve the quality of control. Table 2.1 shows the allocation of control functions between the subjects of control.

Table 2.1

Control functions of subjects of internal control at “ALEANA” LLC

Subjects of internal control	Control functions of subjects of internal control
General Director	Control over the financial and economic activities of the enterprise and its structural units. Receiving, using profit, analyzing the results of the activity of the enterprise. Creation of favorable working conditions, environmental protection measures. Introduction and use of the latest technologies and techniques, labor motivation, ensuring investment attractiveness and expanding the scale of the enterprise. Providing evidence of compliance with the responsibilities undertaken for the development and implementation of the quality management system and continuous improvement of its efficiency by: <ul style="list-style-type: none"> - bringing to the organization of the idea of the importance of meeting the needs of customers, as well as – mandatory and regulatory requirements; - adoption and implementation of policy; - ensuring the acceptance of tasks in the field of quality; - analysis; - provision of resources. Defining and informing the staff of the organization about responsibilities, authority and the relationship between them.

The end of Table 2.1

Subjects of internal control	Control functions of subjects of internal control
Chief Accountant	The admission of primary documentation, the feasibility and compliance of business operations with the legislation and the requirements of the organization's management, the reasonable use of production resources, compliance with estimates, increasing the cost of products, services, works.
Chief Economist	Execution of budgets, determination and development of ways to eliminate unfavorable deviations, compliance with norms and standard costs, transfer prices. Revision of standards, accounting prices, costs of material resources during the month. Organization of activities within the Quality Management System, aimed at meeting the needs of customers. Organization of activities for planning and spreading of information necessary for the functioning of QMS.
Head of HR Department	Control over the work of employees. Work on the recruitment of workers in departments (selection and placement of personnel). Control over the professional development of employees and the quality of personnel. Conducting certification of employees.
Production Deputy	Control over the consumption of fuel, all material and auxiliary resources, search for reasons of deviations from the norms. Control over the production process, providing it with documentation, the necessary equipment, raw materials, materials. Execution of production schedules, maintenance of reporting documentation for production.
Foreman	Control over the quality of performed work and services, as well as control over compliance with the technological process. Control over the fulfillment of production targets for the output and quality of products (works, services) in a timely manner, control over the calculations of the material balance. Preparation of defective lists for repair of equipment. Appropriate use of all production resources. Shift work scheduling.
Chief Mechanic, Chief Power Engineer	Organization of management activities: technological equipment, energy equipment, control and measuring equipment.
Procurement Warehouse Manager	Control over the operation of the warehouse for storage, release, acceptance of inventories, packaging materials, labels, transport packaging, etc. Control over the process of registration and destruction of defects. Records management. Control over loading and unloading operations. Control over the process of daily cleaning of the warehouse.
Department of Labor Protection	Control over compliance with legislative and regulatory acts regarding labor protection.

Source: developed according to the organizational structure of "ALEANA" LLC (Appendix C).

As we see from the table 2.1 every subject of internal control has own area of control implementation which helps to monitor the situation at the enterprise more efficiently. Control must be done in two directions. First is control for operational and technical management, which requires quick reaction on deviation

of actual control indicators from planned ones. The second direction is control over strategic management, when the results of control give opportunity to evaluate development of the enterprise, including comparison with competitors and adjustments with environmental factors. The primary indicators, which are selected in the process of monitoring and transmitted to control system of the enterprise, can be similar for both directions of control, but the difference is in their further processing and conclusions that can be made with their using.

According to increasing interest to ecological problem, it is necessary to separate control of natural resources. The company is concerned about preservation of the environment. It uses only energy-saving technologies in production, recycles defended products and waste successfully, utilizes natural resources and raw materials economically. The enterprise has created, documented and implemented a quality management system (QMS) that meets the requirements of DSTU ISO 9001: 2015. In order to ensure its functioning and constantly increase its effectiveness, the company:

- 1) identified the processes required for QMS;
- 2) determined the sequence and interaction of these processes;
- 3) identified the methods needed to perform and manage processes;
- 4) ensures the availability of resources and necessary information to control these processes;
- 5) monitors, measures and analyzes these processes;
- 6) performs the actions necessary to obtain the planned results and continuous improvement of these processes.

Quality control is carried out at each stage of production:

- 1) incoming quality control of raw materials using own laboratory;
- 2) control at the stage of production of goods, as well as on stages of assembly and packaging, is constantly carried out by technical control service;
- 3) control of shipment by the warehouse service and security service with video surveillance systems.

Areas of activity and responsibility for Quality Management in terms of

quality system processes are listed in table 2.2.

Table 2.2

Areas of activity and responsibility in Quality Management System of the enterprise “ALEANA” LLC

Areas of activity	Directorate	Departments or responsible persons
Management of externally supplied processes, products and services	Head of Logistics Department	Logistics Department
Production	Production Deputy	Production
Personnel	General Director	Deputy General Director for Personnel
Infrastructure management	Chief mechanic	Chief mechanic department
Management of control and measuring equipment	Chief Power Engineer	Department of Chief Power Engineer
Strategic planning	Financial Director	Leading economist of the Planning and Economic Department
Financial Management	Financial Director	Accounting
Testing of products for compliance with the requirements of TU, TO	Chief Technologist, Deputy General Director for Product Quality	Department of Chief Technologist, welding/processing workshop
Storage, delivery, shipment of finished products	Head of finished products warehouse	Finished products warehouse
Storage, delivery of raw materials and unfinished production	Head of raw materials, materials and unfinished products warehouse	Raw materials, materials and unfinished products warehouse
Management of externally supplied processes, products and services	Head of Logistics Department	Logistics Department
Leadership	General Director	General Director
Management of documented information	Representative of the Head of Quality Management	All departments covered by QMS
Internal audit	Representative of the Head of Quality Management	---/--
Non-compliance and corrective actions	---/--	---/--

Source: developed according to the organizational structure of “ALEANA” LLC (Appendix C).

The enterprise defines and revises the requirements for the competence of personnel performing work within Quality Management System. Relevant requirements are described in job and work instructions. Compliance of the personnel with the established requirements is provided by its selection and training. When hiring new employees or internal relocations, the compliance of

employees with the established requirements is checked.

To meet the established requirements for competence, knowledge and training of staff, the company:

- 1) determines the necessary competence of staff and reflects it in job and work instructions;
- 2) draws up annual training plans and organizes staff training (both external and internal) in accordance with these plans;
- 3) evaluates the effectiveness of measures for staff training through questionnaires and analysis of their activities;
- 4) with the help of periodic certifications checks the compliance of staff with the established requirements, as well as employees of their role in the functioning of the QMS. All activities related to staff education and training are reflected in the quality records.

To meet product requirements, the enterprise creates the necessary working environment, which includes:

- 1) ventilation of the working area (according to the project);
- 2) luminance level of workplaces (according to the project);

The control over the observance of the requirements to the working environment is carried out by the Deputy General Director for Labor Protection.

When demonstrating the validity of the results, the measuring instruments are subject to the following operations:

- 1) regular in operation or previous;
- 2) the necessary initial and re-regulation;
- 3) marking;
- 4) protection against damage and deterioration during work with them, their maintenance and storage.

In addition, in cases of non-compliance of measuring instruments with the established requirements, the company evaluates and registers the validity of previous measurement results. The enterprise takes the necessary measures for such measurement tools and tested with their help product units. The enterprise

regularly measures the performance of processes, 2 times a year the company conducts an internal audit and external audit of the effectiveness of processes and general analysis of QMS to ensure compliance with QMS requirements of DSTU ISO 9001, achieving quality goals and conformity of manufactured products. Based on the analysis, decisions are made to improve the QMS. Measurement and analysis actions, as well as the frequency of their application, are reviewed annually as part of the quality system analysis by management. Based on the results of the analysis, decisions are made on the application of statistical methods for the analysis of measurement results. The company takes into account customer satisfaction through the presented data of marketing research conducted by representatives of the Sales Department and employees of the Marketing and Development Department.

The company annually draws up a schedule of internal audits of QMS, which provides for the audit of each process or unit at least once a year. Audits may be performed more frequently for the most important processes or divisions, as well as for divisions where QMS inconsistencies occur. Audits are conducted by qualified authorized personnel who do not participate in the work of the department being audited.

During the audit it is checked that QMS:

- 1) meets the planned measures, the requirements of the standard DSTU ISO 9001, DSTU ISO 19011: 2003 and the requirements of the documentation of the enterprise;
- 2) implemented and operates.

All personnel of the enterprise conducts the audit and provides the necessary information. A report is based and prepared on the results of the audit and considered at the meeting of the Quality Coordination Board. If the audit has been revealed non-compliance with the QMS, the decision is to take corrective action immediately. The company, as part of the annual analysis, determines the parameters for the main QMS processes by which their effectiveness is measured, as well as the monitoring scheme specified in the documentation describing these

processes. Target values are set for each of the measured parameters. Periodically obtained measurement results are compared with the target values. If the target value is not reached, a decision is made to implement corrective action. Requirements for the measurement of QMS processes are defined in the Guidelines on the quality of relevant processes.

To verify compliance with product requirements, the company controls at the following stages:

- 1) entry control of incoming raw materials and materials;
- 2) product control in the production process;
- 3) primary control of finished products.

Control actions are reflected in the technological documentation. Thus for each type of control the scheme of its performance and criteria of acceptance or rejection is defined. The results of control are recorded in journals or electronically. It is not allowed to ship products to the customer until the positive results of all planned control measures. If the company found products (raw materials, finished products and semi-finished products) that do not meet the established requirements, it is determined as non-compliant and registered by the shift supervisor (master) in the workbook. Its further use or supply is not allowed until the decision is made by an authorized employee. In case of non-conformity of the product, it is subject to repeated control or inspection to demonstrate compliance with the requirements. All cases of an inconsistency, as well as decisions made on them, are registered and analyzed to develop corrective action. In case of non-compliance of the product after delivery to the customer, the company conducts an analysis and provides corrections, product replacements or other actions in consultation with the customer.

The company holds meetings of the Control Board with the participation of managers and specialists aimed at analyzing the current situation and making decisions to improve it. In the course of the analysis at various levels all information received as a result of measurements, and also any other information necessary for demonstration of suitability and efficiency of QMS is necessarily

considered. The decision of the CB is recorded in the journal (F-5-02) with the appointment of responsible persons and deadlines. In the course of the analysis the tendencies of the measured indicators, their compliance to the established requirements and achievement of the purposes are defined. Based on the results of data analysis, decisions are made aimed at continuous improvement of the effectiveness of the quality management system, increasing customer satisfaction. Appropriate decisions are made in the Comprehensive QMS improvement plan, other plans and programs.

Each time, in case of non-compliance (including deviation of actual results from the set goals, receipt of a complaint from customers) during one of the analyzes its causes are studied. Based on the results of the study, a decision is made on the need for corrective action to eliminate the possibility of recurrence of non-compliance. When a positive decision is made within the framework of the analysis, the relevant action is determined at the Supervisory Board and is included in the Comprehensive Plan for Improving the QMS. In this case, the employee responsible for its implementation and deadlines are appointed. After the expiration of the established term, the responsible employee provides for the analysis of the records confirming performance of corrective actions and their efficiency.

If necessary, in the framework of the next analysis, a decision is made to take additional measures to control the corrective action. The risks of non-conformities are periodically considered during the analyzes. For this purpose, statistics of discrepancies for the previous period are used, as well as other sources of information (including the proposals of the participants in the analysis). At the same time discrepancies with significant risks of occurrence and their possible reasons are defined. For such discrepancies, a decision is made on the need for precautionary measures aimed at eliminating or reducing the likelihood of non-compliance.

When making a positive decision in the analysis, the appropriate action is determined and included in the Comprehensive QMS improvement plan. In this

case, the employee responsible for its implementation and deadlines are appointed. After the expiration of the established term, the responsible employee provides for the analysis the records confirming performance of precautionary actions and their efficiency. If necessary, in the framework of the next analysis, a decision is made to take additional measures to control the performed preventive action.

“ALEANA” LLC has a lot of strengths, for example, this is a famous brand and has a leading position on the market of plastic products. The enterprise has a qualified manufacturing personnel and professional management. The quality of products is very high and as result the enterprise has direct contacts with famous world brands. “ALEANA” LLC has extensive distribution network and modern high-tech equipment park. There are some weaknesses that inhibit development of the enterprise. The main are dependence on input deliveries of equipment, instability of national currency towards the world currency, not enough developed advertising campaign and dependence on import deliveries of raw materials and composite additives. The threats of the enterprise are additional governmental control over the enterprises, unstable financial situation in the country, drop in buyer’s income, increase in taxes and duties, failures in production process and new competitors on the market.

As we see there are some weaknesses and threats at “ALEANA” LLC which have negative impact on the activity of the enterprise, but there are also some opportunities, that can be used to improve the situation. Among them we can define using of innovative technologies, leading to higher quality with lower costs, entry on market and sale of dyes, spread of geography of sales, entry on the market of European Union and Asia, expansion of product ranges, import substitution, learning the technology of wood-polymer materials, organization of a workshop for the production of molds and displacing the main competitors from the market.

To sum up, the enterprise has a lot of strengths and opportunities. With the help of qualified personnel and modern high-tech equipment, “ALEANA” LLC can entry on new markets and increase amount of sales. There are also some threats and weaknesses, but most of them are connected with unpleasant economic situation in

country and instability of national currency. Nevertheless, the enterprise should pay attention at the development of advertising campaign, because nowadays professional promotion, especially on social networks can increase amount of customers and sales.

2.2. Evaluation of the efficiency and effectiveness of the enterprise control system

The direction of the main purpose of management control is to achieve the following basic indicators of efficiency of management at “ALEANA” LLC:

- 1) correspondence of the enterprise activity to targets, guidance and strategy;
- 2) financial stability of the organization from the economic, market and legal position;
- 3) the appropriate level and accuracy (truthfulness) of primary documents and the quality of primary information for successful management and effective management decisions;
- 4) regulatory use and preservation of resources and potential of the enterprise;
- 5) observance by employees of the enterprise all the requirements, rules and procedures established by administration – provisions on divisions, job descriptions, rules of behavior, plans of documentation and document circulation, plans of the organization of work, the order on accounting policy, other orders and instructions;
- 6) indicators of infallibility of registration and processing of financial and economic operations of the enterprise – presence, completeness, arithmetic accuracy, formal resolution, time certainty, presentation and disclosure of data in the reports;
- 7) rational and economical use of all types of resources;
- 8) implementation of the requirements of federal laws and regulations issued by the authorities and their subjects, and authorized local governments.

The effectiveness of control is often characterized by savings in losses (damage) due to the functioning of the system, in other words: the difference between the estimated size of losses in the absence of control and in its presence. The efficiency of manufacturing activity of the enterprise can be assessed with the help of the main indicators of financial and economic activity in the dynamics in 2017-2019 years (table 2.3).

Table 2.3

**Dynamics of financial and economic indicators at “ALEANA” LLC
during 2017-2019 years, thousand UAH**

Indicators	2017	2018	2019	The absolute deviation, +, -		The relative deviation, %	
				2018/ 2017	2019/ 2018	2018/ 2017	2019/ 2018
Net income (revenue) from sales of products (goods and services)	296914	360077	416499	63163	56422	21,27	15,67
Cost of sales of products (goods and services)	232161	287244	324274	55083	37030	23,73	12,89
Gross profit	64753	72833	92225	8080	19392	12,48	26,63
Net financial result (profit)	22420	21144	44710	-1276	23566	-5,69	111,45

Source: developed on the basis of the financial statements of “ALEANA” LLC (Appendix B)

According to the data in table 2.3 there is a growth of the net income from sales of products and profit. The amount of net income was 296,9 million UAH in 2017, it increased in 21,27% in 2018 and to almost 416,5 million UAH in 2019, which is more in 15,67% than in 2018. However, together with the growth of revenue from sales of products, the cost of sales of products also increased. There was almost 232,2 million in 2017 and it increased in 23,73% in 2018 and 12,89% in 2019 in comparison with 2018. Gross profit increased in 12,48% in 2018 year in comparison with 2017, and in 26,63% in 2019 in comparison with 2018. Net financial result decreased in 5,69% in 2018 in comparison with 2017 and increased in 111,45% in 2019 in comparison with 2018. Increase of profit can be influenced by the impact of change in the amount of sales, changes in the structure and range

of products, changes in the cost of products sold, changes in the level of prices for products. To determine in more details the level of profitability of the enterprise and the efficiency of its work, profitability calculations are performed in table 2.4.

Table 2.4

**Dynamics of profitability indicators at “ALEANA” LLC
in 2017-2019 years, %**

Indicators	2017	2018	2019	The absolute deviation,+,-	
				2018/ 2017	2019/ 2018
ROE (Return on Equity)	200	66,03	68,84	-133,97	2,81
ROA (Return on Assets)	11,24	9,53	19	-1,71	9,47
ROI (Return on Investment)	27,89	25,36	28,44	-2,53	3,08
ROR (Net Profit Margin)	7,55	5,87	10,73	-1,68	4,86
ROS (Return on Sales)	9,66	7,36	13,79	-2,3	6,43

Source: developed on the basis of the financial statements of “ALEANA” LLC (Appendix B)

Dynamics of profitability of “ALEANA” LLC was changing during 2017-2019. Return on Equity (ROE) was 200% in 2017. This multiplier shows in percentage terms how much net profit per year equity capital is able to generate. ROE decreased to 66,03 % in 2018 and increased to 68,84% in 2019. The higher is ROE, the better. Return on Assets (ROA) was 11,24 % in 2017, decreased to 9,53% in 2018 and increased to 19% in 2019. Increasing of ROA in 2019 is caused by increasing of the amount of net profit of the enterprise, tariff escalation on products or growth in asset turnover. Return on Investment (ROI) decreased in 2,53% in 2018 comparing to 2017 and increased in 3,08% in 2019 comparing to 2018. Net Profit Margin (ROR) was decreasing during 2017-2018 from 7,55% to 5,87% and increasing to 10,73% in 2019 comparing to 2018. Return on Sales (ROS) was 9,66% in 2017, decreased to 7,36% in 2018 and increased to 13,79% in 2019. Increase of profitability indicators in 2019 present the continuous progress of the enterprise in the development of activities, in sales and the profitability of current assets.

It is very important to identify the dependence of the enterprise on external sources of financing, including borrowed capital, using indicators of financial stability (table 2.5).

Table 2.5

**Dynamics of financial stability indicators at “ALEANA” LLC
in 2017-2019 years**

Financial stability ratios	Rate	2017	2018	2019	The absolute deviation, +, -		The relative deviation, %	
					2018/ 2017	2019/ 2018	2018/ 2017	2019/ 2018
Equity Ratio	>0,5	0,1	0,19	0,35	0,09	0,16	90	84,21
Debt Ratio	>0,5 <0,6- 0,7	0,9	0,81	0,65	-0,09	-0,16	-10	-19,75
Capitalization Ratio	>0,5 <0,6- 0,7	0,76	0,61	0,4	-0,15	-0,21	-19,74	-34,43
Financial Leverage	1-1,5	9,3	4,22	1,84	-5,08	-2,38	-54,62	-56,40

Source: developed on the basis of the financial statements of “ALEANA” LLC (Appendix B)

Analyzing the calculated indicators of financial stability in table 2.5, it should be noted that Equity Ratio is equal to 0,35 in 2019. The enterprise can finance only 35% of assets from its own funds. In comparison with 2018, it increased in 84,21% and in 2018 to 2017 – in 90%. Debt ratio shows the proportion of company’s assets which are financed with debt. Debt ratio was 0,9 and 0,81 in 2017 and 2018 in accordance, which was higher than it should be. But in 2019 the ratio was lower – 0,65, which is within normal rate. Capitalization ratio was 0,76 in 2017 and 0,61 in 2018, but it decreased to 0,4 in 2019. Capitalization ratio allows to convert net capital flows from the use of the object to its value. The financial leverage ratio reflects the degree of use of borrowed funds in the amount of total capital. Financial leverage was 9,3 in 2017 and 4,22 in 2018, which means that organization was losing financial independence and its financial position became volatile. But then the financial leverage decreased to 1,84 in 2019, which is a little bigger than a normal rate. Analyzing the indicators of financial stability, we can notice a

declining trend in dependence on borrowed funds, which indicates an intensive policy of the enterprise to accumulate assets and own funds.

One of the most important indicators is indicators of business activity. They make possible to assess how effectively the enterprise uses its funds. Dynamics of business activity indicators of “ALEANA” LLC is presented in table 2.6.

Table 2.6

**Dynamics of business activity indicators at “ALEANA” LLC
in 2017-2019 years**

Indicators	2017	2018	2019	The absolute deviation, +, -		The relative deviation, %	
				2018/ 2017	2019/ 2018	2018/ 2017	2019/ 2018
Asset Turnover	1,49	1,62	1,77	0,13	0,15	8,72	9,26
Inventory Turnover	3,09	3,43	3,89	0,34	0,46	11	13,41
Accounts Receivable Turnover	5,37	4,98	4,01	-0,39	-0,97	-7,26	-19,48
Accounts Payable Turnover	2,58	3,51	5,27	0,93	1,76	36,05	50,14
Days Inventory Outstanding (Days Sales of Inventory)	184	177	182	-7	5	-3,8	2,82
Cash Conversion Cycle	44	74	114	30	40	68,18	54,05

Source: developed on the basis of the financial statements of “ALEANA” LLC (Appendix B)

According to the data in table 2.6, Asset Turnover Ratio was increasing in 2017-2019 years from 1,49 to 1,77, which has a positive influence. If Asset Turnover Ratios increases, the company generates more revenue per hryvnya of assets. Inventory Turnover was 3,09 in 2017, then it increased in 11 % in 2018 and 13,41% in 2019 in comparison with 2018, which indicate strong sales. Accounts Receivable Turnover decreases from 5,37 to 4,01 in 2017-2019 years, which means that company should develop its credit policies to collect receivables on time. Accounts Payable Turnover was increasing in 2017-2019 from 2,58 to 5,27. It means that the enterprise improved organization of relationships with suppliers and provided a profitable payment schedule. Days Inventory Outstanding were decreasing from 184 to 177 days in 2018, but in 2019 it increased to 182 days,

which means that the company turns its inventory into sales more slowly. Cash Conversion Cycle was increasing from 44 to 114 days during 2017-2019. It means slowing down the efficiency of company's production activities. In general, the calculated indicators of business activity of "ALEANA" LLC show that the enterprise develops a production and ensures its efficiency.

It is very important to assess the efficiency of the strategy at "ALEANA" LLC. We can make this with the help of the value of the growth rate of the normative series, which will reflect the growth rates of the enterprise and necessity to make some corrections at the strategy of "ALEANA" LLC (table 2.7).

Table 2.7

**Growth rates of economic indicators at "ALEANA" LLC
in 2017-2019 years**

Year	Growth rates				
	T _{LC}	T _{CS}	T _{MC}	T _{CP}	T _{GP}
2017	146,97	119,59	117,65	121,75	117,89
2018	145,15	123,73	120,50	102,86	112,48
2019	126,61	112,89	99,82	96,20	126,63

Source: developed on the basis of the financial statements of "ALEANA" LLC (Appendix B)

Using the growth rates of economic indicators, we can define factual series and calculate Spearman's ranks (table 2.8).

Table 2.8

**Factual series of the dynamics at "ALEANA" LLC
in 2017-2019 years**

Year	T _{LC}	T _{CS}	T _{MC}	T _{CP}	T _{GP}	Spearman rank, (K)
2017	1	3	5	2	4	-0,5
2018	1	2	3	5	4	-0,9
2019	2	3	4	5	1	0

Source: developed according to growth rates of economic indicators at "ALEANA" LLC

According to calculated Spearman rank we built a diagram, which indicates

the change of this indicator (figure 2.1).

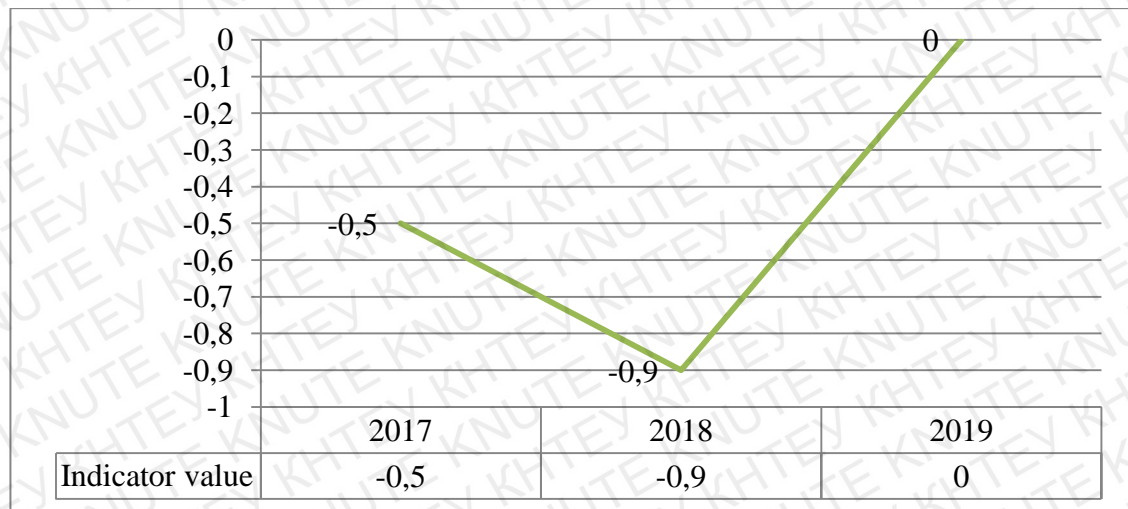


Figure 2.1. Dynamics of Spearman's rank correlation coefficient in 2017-2019 years

Source: Developed by the author.

The graphical representation of the change of coefficients (figure 2.1) has a wavy character and allows us to conclude that the current and operational solutions have an advantage in the management of the enterprise. Decisions are implemented on the basis of short-term circumstances and without some strategic behavior. We can make a conclusion that “ALEANA” LLC did not implement a strategy plan of the development successfully, especially in 2018 year. There is a change of indicators' ranks (table 2.9) and it means absence of developed strategic plan and decreasing of efficiency of the enterprise's activity. The reason is a quick change of directions of the company's activity and not determined targets to achieve. The enterprise uses its labour and manufacturing resources not efficiently. The Spearman rank was negative in 2017-2018 years, but it decreased to 0 in 2019. There was a negative tendency, which a little improved in 2019 but there is still a necessity to make some changes at the strategic plan to receive better results in the activity of the enterprise.

For better understanding of market, where the enterprise is functioning, it is necessary to systematize customers by the type of the market (table 2.9).

Table 2.9

Customers' systematization of "ALEANA" LLC by type of market

Type of market	Groups of products			
	Plastic furniture	For garden	For home	For kitchen
Industrial market	Brand companies ("Coca Cola", "Pepsi" and others)	Greenhouses, flower shops, garden centers	-	-
Reseller market	Wholesalers, dealers, retail chains	Wholesalers, dealers, retail chains	Wholesalers, dealers, retail chains	Wholesalers, dealers, retail chains
Consumer market	Catering services, owners of country houses and estates	End-user	End-user	End-user

Source: developed on the basis of web-site of "ALEANA" LLC

According to the table 2.9, we can notice that "ALEANA" LLC is functioning at different markets, for example an industrial, reseller, and consumer ones. The enterprise works with brand companies, retail chains and end-users. The activity of "ALEANA" LCC depends on different factors, especially on factors of external environmental. One of the most common methods that helps to analyze external environment is PEST-analysis. Evaluation of factors is presented in points from 0 to 3 (table 2.10).

Table 2.10

Analysis of factors of indirect influence on the activity of "ALEANA" LLC (PEST-analysis)

Factor	The essence of the factor	Character of influence	Evaluation of factor in points
Political factors			
Political instability	Constant changes in legal and tax regulation in Ukraine leads to instability of profits from export and import products	-	2
Conflicts inside the country	Military conflict in the Donetsk and Luhansk regions causes disruptions in the supply of certain categories of goods, the need to find new suppliers or substitute goods	-	2
Cooperation with European Union	It is difficult for the company to enter European markets due to strict certification conditions and requirements for quality of products	-	2

End of the Table 2.10

Factor	The essence of the factor	Character of influence	Evaluation of factor in points
Deceleration of economic reforms by political forces	Lack of changes and new opportunities for enterprise development and entrance into new markets; lack of economic growth	-	1
Economic factors			
Negative dynamics of GDP	The negative impact of the spread of COVID-19 and other constraints such as slowdown in import supplies and investment activity, high competition in import activity, instability of domestic orders, decrease in demand for electricity and unstable operation of coal-fired TPPs, shutdown for scheduled and overhaul of NPP units	-	2
Fluctuations of currency	Financial losses due to changes in the exchange rate and loss of potential customers due to changes in prices	-	3
State of sources of raw materials and energy resources	High prices for energy and fuel resources causes the growth of utility costs for the company	-	2
Social factors			
Decreasing of the population	Reduction of the number of potential buyers of consumer goods and possible increase of the tax pressure on wages of employees of the enterprise	-	2
Large number of people who leave country	There were 442287 people in 2017, 629276 people in 2018, 576032 – in 2019. There is outflow of qualified personnel in technical sphere abroad	-	3
Increase in unemployment	The number of unemployed in May 2020 is more than on the same date last year by 196 thousand, or 64%	-	2
Decline in birth rate	363987 people were born in 2017, in 2018 – 335874, in 2019 – 308817. As a result, decrease in the number of potential buyers, shortage of workers and specialists, government pressure on formation of salaries	-	2
Technological factors			
Level of modern equipment	Production capacity of the company consists of 36 modern high-tech automatic molding machines with a locking force from 50 to 1600 tons	-	3
State control over quality and safety products	Company stimulates the improvement of production technologies by high quality of goods and services due to the introduction of certification standards	+	2
Using of the most modern equipment	The enterprise has installed and is constantly replenishing a unique fleet of equipment for Ukraine - TPA of the latest generation of LS Cable	+	3

Source: Developed on the data of State Statistic Service (<http://www.ukrstat.gov.ua/>)

To sum up the results of research, we can make a conclusion, that there is uncertain situation in politic, economic spheres and as result in social one. The enterprise should adjust to the constant conditions and use its modern and effective technologies to produce high-quality products. It is necessary to negotiate with suppliers and choose reliable ones to get raw materials at not very high price and with a good quality.

PART 3

DEVELOPMENT OF SCIENTIFIC APPROACH TO IMPROVING THE CONTROL SYSTEM AT THE ENTERPRISE “ALEANA” LLC, OBUKHIV

3.1. Planning measures to improve the enterprise control system based on best international practices

In modern conditions the question of control at the enterprise becomes one of the most important aspect which is justified both by the increased requirements from the company's customers regarding the purchased products, and by the difficult economic conditions, in which modern domestic enterprises operate.

Organization of effective control system at the enterprise is very complicated task, which requires a lot of efforts of employees who have a big experience and strong knowledge background. As we see from previous analysis, there are some problems in control system at “ALEANA” LLC. The enterprise has not developed strategy, does not use all its potential and as result has lower financial results than it could have. The implementation of the Balanced Scorecard can be a successful tool, which will definitely improve control at the enterprise.

The Balanced Scorecard involves the development of a sustainable development strategy for the enterprise that identifies the relationship between organizational capacity, effective business processes, customer value, stakeholder satisfaction, sustainability indicators, and market and financial results. A scorecard is a statistical tool that is used to structure measures and report progress towards a specific goal. With the help of such system, we can visually see the progress or regression of the company's activities.

The Balanced Scorecard (BMS) is also a management system that allows managers to transform the strategic goals of a company into a clear operational plan for departments using key performance indicators. The main emphasis in the BSC is placed on the assessment of not only financial, but also non-financial indicators of the enterprise. The main idea of the BSC is to provide managers with the

information necessary to control the sustainable development strategy in a concise, structured form of indicators. It becomes possible to manage not only financial indicators, but also intangible assets, to exercise management not in isolation for each goal or aspect, but on the basis of chains of cause-and-effect relationships between them. For each goal of the financial component, a specific goal (or several goals) is formulated in the client component, ensuring the achievement of the first. In turn, each goal of the client component is supported by the corresponding goals of the component of internal business processes, and these goals are supported by the goals of the learning and development component. This approach to the formalization of the strategy significantly increases the chances of its implementation. The balanced scorecard concept considers the company's strategy in the form of goals, grouped into four equal components (figure 3.1).

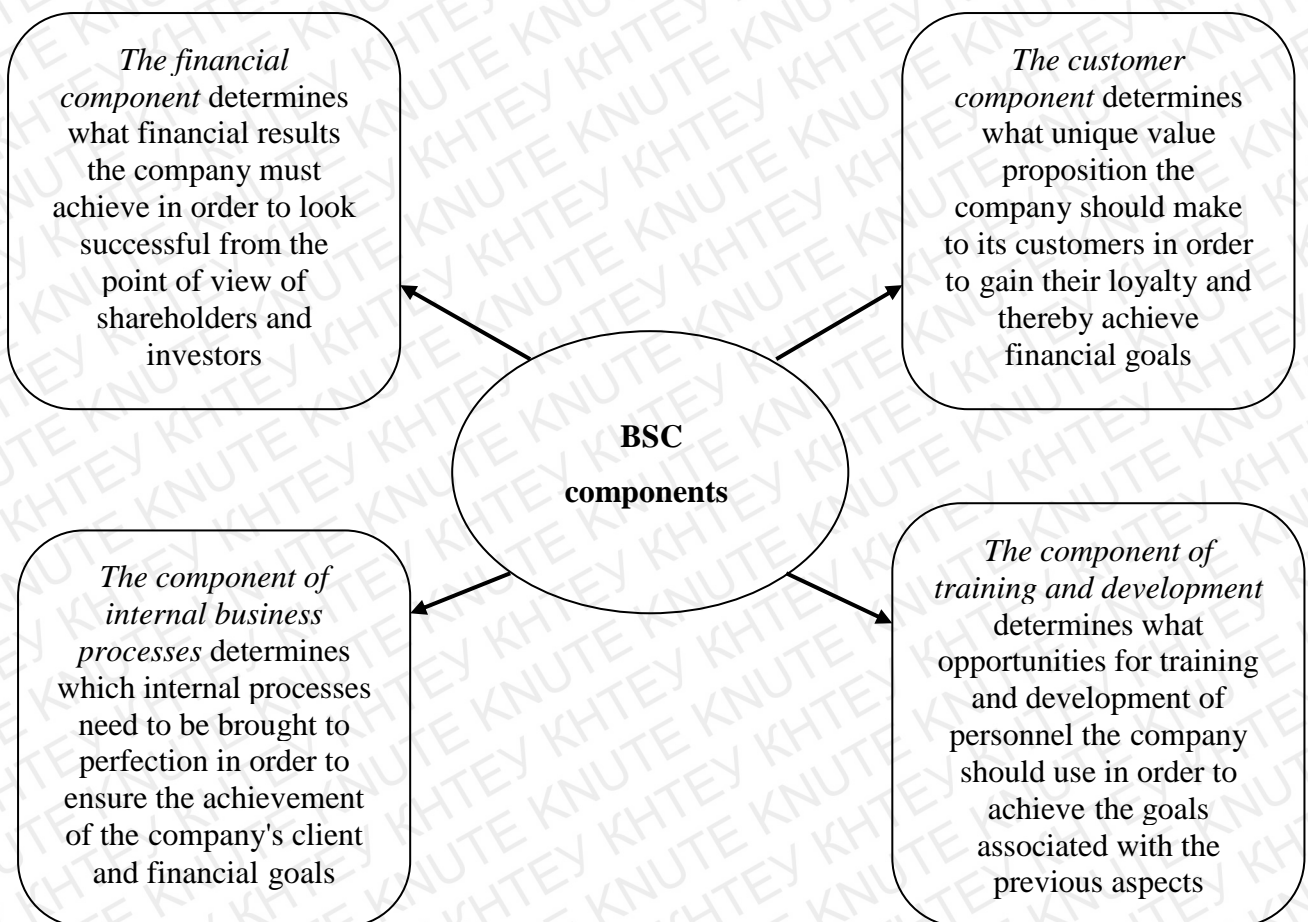


Figure 3.1 Components of the Balanced Scorecard

Source: Structured by the author on the basis of [48].

The BSC has certain requirements on the formation of the goals of the organization. Goals should be formulated as concretely as possible and measured by an indicator that reflects the main content of the goal. A strategic goal cannot be achieved if it is not accurately formulated or impossible to measure.

The goals should be meaningful, should not be easily achievable in order to increase the company's performance, but at the same time they should be achievable, otherwise the interest in them from the employees weakens, and motivation is decreasing.

It is necessary to allocate only the main goals that are most significant for the implementation of the strategy, not to waste resources and efforts to achieve secondary and insignificant results.

At the same time, goals should be formed for each aspect of the company's activities in an amount sufficient to implement the strategy. All goals should be a unified system based on cause-and-effect relationships and balanced.

The actions and decisions necessary to achieve one goal should not interfere with the achievement of others. These components of the BSC allow the enterprise to achieve a balance between long-term and short-term goals, between the desired results and the factors to achieve them.

Goals and objectives of BSC:

- 1) formation of a mechanism for managing the company's strategic goals;
- 2) maintaining a systematic approach to the formation of the company's goals;
- 3) coverage of all goals formed by management through a system of indicators;
- 4) ensuring control over the timeliness and completeness of achieving the set goals;
- 5) compliance of decisions made by management with the long-term goals of the company;
- 6) creation of a mechanism for selecting the most effective projects in terms of achieving the set goals.

The BSC implementation has several advantages:

1) BSC offers a powerful concept for building and communicating a strategy. The business model is visualized on a strategic map that helps leaders take cause and effect into account in goal setting. The BSC complex implies a clear setting of goals in the form of target values of indicators, which improves strategic planning;

2) The fact that the strategy with all its interrelated goals is presented on one sheet of paper allows the company to easily discuss the strategy inside and outside the company. A compact visualization promotes a better understanding of the strategy and helps to involve employees and external stakeholders in working with the strategy;

3) The BSC approach implies the development of key performance indicators specifically for the strategic goals of the company. This focus demonstrates that companies are measuring what really matters. Research demonstrates that companies using the BSC have higher quality management information and benefit from using this information to guide management and decision-making processes;

4) Companies using the BSC approach generate more revealing activity reports than companies that do not use this structured approach. The BSC reporting system does not change when the requirements for company transparency are increased;

5) A properly implemented BSC promotes alignment with strategic focus of processes such as budgeting, risk management and analytics. These measures create a truly strategic company;

6) A correctly implemented BSC also helps to align organizational processes such as budgeting, risk management, analytics on strategic priorities. Such steps strengthen the strategy of the enterprise.

To use BSC correctly and efficiently, it is very important to identify mission of the company, its current type of strategy and strategic goals.

Mission of “ALEANA” LLC is the production of high-quality plastic furniture and plastic products of economic and household direction with access to the international level of quality and modern business. This is reflected in the

company's vision, designated as having a stable and reliable company image, created through the successful implementation of projects.

The company implements a strategy of limited growth, which is in line with its economic and production potential, as well as in line with the opportunities and limitations of the market segment for the production of plastic products.

Based on the mission and vision, “ALEANA” LLC sets the following strategic goals:

- 1) save leading positions by types of products, quality, volumes of production and sales;
- 2) maximization of production of basic, best-selling products;
- 3) displace imports of mass products;
- 4) displace main domestic manufacturers from the market;
- 5) master the production technology of metal-plastic furniture;
- 6) master technology of wood-polymer materials;
- 7) market entry and sale of dyes;
- 8) secondary processing of raw materials for own needs and for sale;
- 9) organization of a workshop for the production of molds;
- 10) increase in volume and expansion of the company's sales geography.

The company plans to achieve these strategic goals by performing the following tasks:

- 1) ensuring the use of quality materials and high-tech equipment;
- 2) employee motivation systems to improve labor results;
- 3) strengthening partnerships with major suppliers of materials and equipment;
- 4) correct selection of products for production based on market needs;
- 5) using of effective business development tactics;
- 6) strengthening the company's image, thanks to the successful implementation of orders.

Functional goals of “ALEANA” LLC are distributed according to the prospects, indicating the departments responsible for their achievement as well as the planned terms of their implementation (table 3.1).

Table 3.1

Distribution of functional goals of “ALEANA” LLC by BSC prospects

Prospects of the BSC	Functional goals	Time of implementation	Responsible department
Finance	Growth of net profit in 20%	3 years	Planning and Economic Department
	Increase in market share in 15%	3 years	Planning and Economic Department
	Cost reduction in 20%	3 years	Planning and Economic Department
Clients	Increasing amount of customers	Every year	Marketing department
	Increasing level of customers' satisfaction	Every year	Marketing department
Business processes	Reducing of material costs in 10%	By December 2021	Purchase Department
	Implementation of planned orders in time	Every year	Technical director
	Reducing of production terms in 10%	By December 2021	Technical director
Training and development	Increasing the level of motivation of the enterprise's employees (according to the survey results, 80% of employees should be satisfied with the existing working conditions, and also interested in participating in the management process)	By December 2021	HR Department
	Formation of the team of qualified specialists	By December 2021	HR Department

Source: Developed by the author.

The above functional targets reflect different aspects of the strategy of “ALEANA” LLC, which is its decomposition. This stage can be named as the preparation for giving information about the implemented strategy to employees.

It is very convenient to clarify the goals of the enterprise to lower organizational levels by establishing its causal relationship. This can be made with the help of strategic maps, which show a graphical reflection of functional goals grouped by perspective, linked by a certain sequence (figure 3.2).

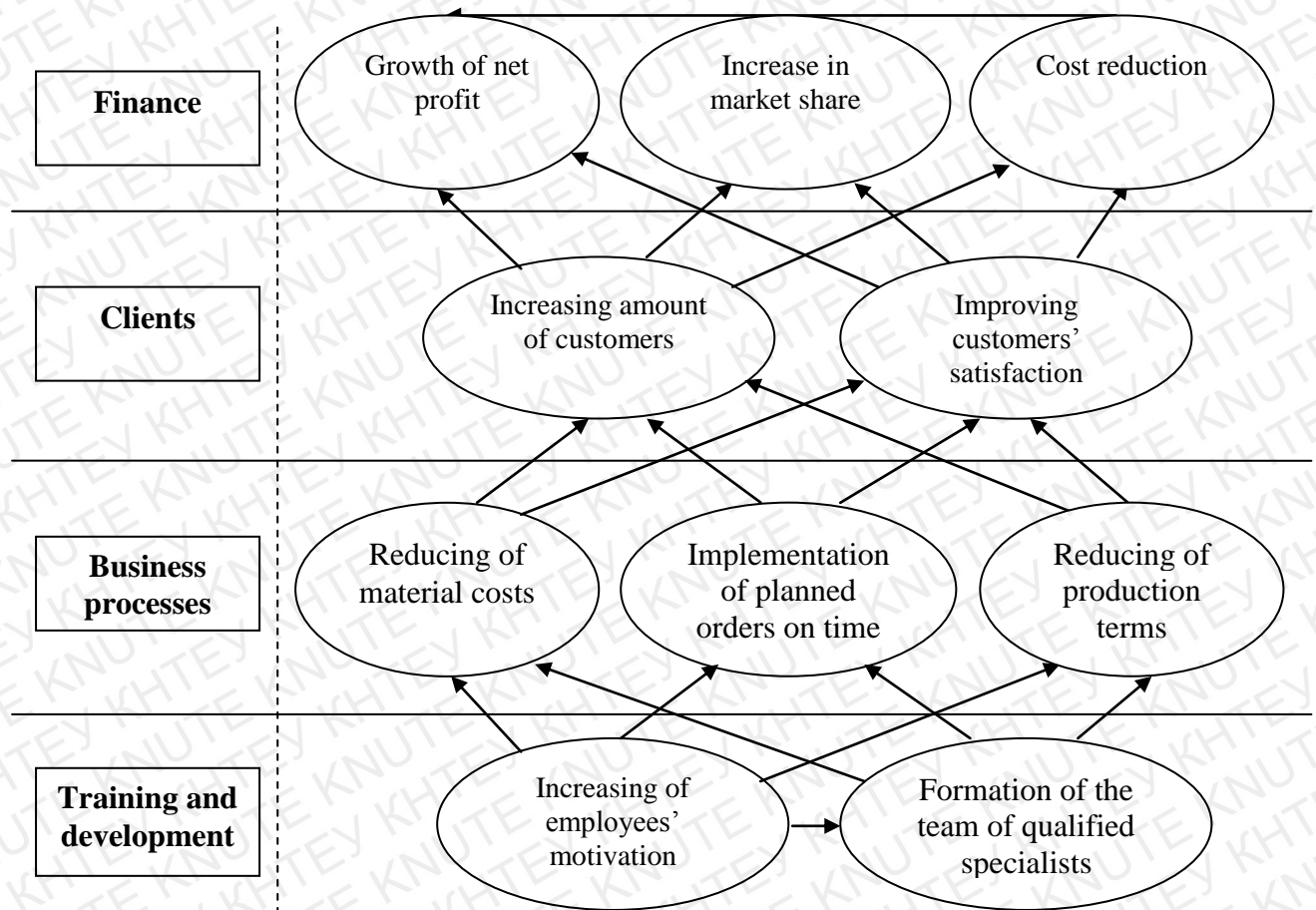


Figure 3.2 Strategic map of “ALEANA” LLC

Source: Developed by the author.

Increasing of employees' motivation is very important aspect in improving the activity and control at the enterprise. Creation of motivation system allows not only stimulate the activity of the employees, but also attract new smart professionals. The first step is creating of the program of actions in the aspect “Training and development”.

The targets at the aspect “Business processes” can reduce the manufacturing defects, implement the planned orders in time and reduce the terms of production at “ALEANA” LLC. Reliable approach to the implementation of the orders will increase the reputation of the enterprise and will have direct impact at the increasing amount of customers and improving their satisfaction.

The final step in achieving of the strategic targets is financial results such as increase of profit, high liquidity ratios and high profitability indicators.

KPI allow representing strategy in quantity measurable indicators. Using of them provides flexibility and adaptability of management system because of comparison of factual and planned values, assessment of developed and future realized strategic steps as well as adjusting them in the absence of the required result, changes in the conditions of business functioning (table 3.2).

Table 3.2

**Establishment of actual and planned KPI values for various prospects
based on internal information of “ALEANA” LLC**

Prospect	KPI	Factual value	Planned value
Finance	Operating profit	61598	73918
	ROS	0,138	0,159
	Other operating expenses	10987	8790
Clients	Number of new attracted clients	17	25
	Percentage of dissatisfied customers	6%	2%
Business processes	Reducing of material costs in 10%	209178	188260
	Percentage of orders completed on time	96%	100%
	Time of reducing the production of new orders	3 weeks	2 weeks
Training and development	Percentage of employees satisfied with working conditions	80%	90%
	Number of employees who have improved their qualifications	“-“	3
	Number of new employees	“-“	3

Source: Calculated by the author.

After determination of KPI we can create strategic measures that contribute the implementation of goals not by one, but by several prospects, which complicates the development of such measures by functional areas. Taking into account the fact of the general orientation of strategic sub-goals, we develop a set of actions based on strategic objectives, existing potential of the enterprise, its available recourses and external factors of influence (table 3.3).

Table 3.3

Actions of “ALEANA” LLC to achieve strategic goals

Strategic objectives	Prospects of the BSC	Strategic activities	Responsible department/person
Ensuring the use of quality materials and high-tech equipment	Business processes	<ol style="list-style-type: none"> 1. Development and implementation of an annual action plan for maintaining compliance with the requirements of the QMS (ISO) 2. Development of a program of measures to minimize the percentage of defects that arose at the stage of introducing new technologies 3. Form a list of requirements for the quality of materials coming from contractors 4. Implement the use of regular reporting on quality management of work performed 	Technical Director
Employee motivation systems to improve labor results	Business processes Training and development	<ol style="list-style-type: none"> 1. Introduction of the bonus part of wages tied to the volume of work under additionally concluded contracts 2. Personal allowance for project managers, paid in case of implementation the project schedule 3. Implementation of measures to improve the qualifications of engineers, IT specialists 	HR Department
Strengthening partnerships with major suppliers of materials and equipment	Business processes	<ol style="list-style-type: none"> 1. To develop conditions for receiving compensation from suppliers in case of delivery of low-quality products, or violation of delivery times, by developing standardized contracts 2. To work with reliable suppliers in order to establish long-term mutually beneficial cooperation through mechanisms for agreeing on the pricing procedure and supply volumes 	Purchase Department
Correct selection of products for manufacturing based on market needs	Finance Clients Business processes	To conduct a research with the use of qualitative and quantitative methods as a result of which the conformity of the products on the market to the needs and requirements of consumers is determined, as well as competitiveness is assessed. Product research allows to get the most valuable information from the buyer's point of view about the consumer properties of the product and data for the formation of a successful advertising campaign.	Marketing Department

Continuation of the Table 3.3

Strategic objectives	Prospects of the BSC	Strategic activities	Responsible department/person
Using of effective business development tactics	Business processes	<ol style="list-style-type: none"> 1. Networking at targeted conferences, trade shows and events 2. Providing assessments and/or consultations 3. Demos (in-person or digital) 4. Using a proposal toolkit 5. Speaking at targeted conferences or events 6. Nurturing prospects through phone calls 7. Publishing written blog posts on website 8. Digital ads (pay-per-click, banner ads, etc.) 	Marketing department
Strengthening the company's image	Finance Clients Business processes Training and development	<ol style="list-style-type: none"> 1. Conducting a thorough technical and economic feasibility study of the orders being implemented, including: <ul style="list-style-type: none"> - assessment of possible production and economic risks; - development of measures for transformation and financing of risks arising in the production segment; - assessment of the contribution of the order to the increase in the value of the company; - attracting qualified specialists. 2. Ensuring the planned implementation of the project: <ul style="list-style-type: none"> - analysis of the effectiveness of management decisions taken in the course of work; - ensuring regular supplies of necessary materials. 3. Measures to provide feedback to the customer: <ul style="list-style-type: none"> - development of regular reporting on the progress of work. <p>In case of successful sale of products, receiving a positive response from the customer with the ability to use this feedback in a PR campaign</p>	Planning and Economic Department HR Department Planning and Economic Department Logistic department Marketing department

Source: Calculated by the author.

Developed strategic actions can be successfully implemented in case of effective existing feedback at the enterprise. It is very important to regulate communication between different departments. Existing of corporate database, using of standardized rules of document forming and regular monitoring of activities can simplify this process.

“ALEANA” LLC has full information system of internal using, where all the documentation is structured and all employees have access to it. This will speed the introduction of new ways of coordination and simplify management reporting of different departments.

3.2. Predictive evaluation of the results of improving the enterprise control system

The implementation of the proposed strategy requires certain investments, an effective system of standardization of work and distribution of products, a reliable management system that includes an effective organizational structure, process control systems and motivation. Rapid development is planned due to large investments. Implementation of BSC requires the efforts of qualified specialists and their work should be paid. Total costs for the development of the project to improve the control system at “ALEANA” LLC are presented at table 3.1.

Table 3.1

Costs for the improvement of the control system at “ALEANA” LLC

Cost items	Amount, UAH
The cost for implementation of Balanced Scorecard Software "Sisense"	53760 UAH
Labour costs for implementing BSC for 5 people	585600 UAH
Total costs for the improvement of the control system at "ALEANA" LLC	639360 UAH

Source: Calculated by the author.

To evaluate economic effectiveness of proposed strategy it is necessary to evaluate the effectiveness of the project. Calculations allow identifying compliance of the project with the goals and interests of the involved parties (table 3.2).

As already mentioned, the total amount of required investments is 639,36 UAH.

Table 3.2

Forecast of cash flow dynamics during the implementation of the project to improve the control system at “ALEANA” LLC according to a realistic scenario

t	IC, thousands UAH	Bt (income), thousands UAH	Ct	Bt-Ct, thousands UAH	K discounting (r=25%)	Discounted cash flows, thousands UAH	NPV, thousands UAH	PI
0	639,36							
1		1535,65	-	1535,65	0,80	1228,52		
2		1589,14	-	1589,14	0,64	1017,05		
3		1598,61	-	1598,61	0,51	815,29		
4		1608,13	-	1608,13	0,41	659,33		
5		1617,72	-	1617,72	0,33	533,85		
Σ		7949,27	-			4254,04	3614,68	6,65

Source: Calculated by the author.

The discounted rate of return on investment (DROI) reflects the return on investment in the investment project in relative terms.

For the proposed measures it is:

$$DROI = PI - I, \quad (1)$$

where PI – Profitability Index.

$DROI=6,65-1=5,65 > 0$, the project is acceptable.

Also a necessary component to assess the effectiveness of the project is to calculate a discounted payback period that allows us to detect and analyze the terms of gaining the profit. It is the time required for the investment to provide sufficient income to recover investment costs, taking into account the time value of money (table 3.3).

Table 3.3

Forecast of the discounted payback period during the implementation of the project to improve the control system at “ALEANA” LLC according to a realistic scenario

t	Cash flows, thousands UAH	K discounting (r=25%)	Discounted cash flows, thousands UAH	Accumulated discounted cash flows, thousands UAH
0	-639,36			-639,36
1	1535,65	0,80	1228,52	589,16
2	1589,14	0,64	1017,05	1606,21
3	1598,61	0,51	815,29	2421,5
4	1608,13	0,41	659,33	3080,83
5	1617,72	0,33	533,85	3614,68

Source: Calculated by the author.

According to the calculations in table 3.3, we can see that all losses are covered by the end of the term, thus this project is economically effective. Evaluation of the effectiveness of the investment project is presented in table 3.4.

Table 3.4

The main indicators of the project effectiveness at “ALEANA” LLC according to a realistic scenario

Indicator	Indicator value
Net Present Value (NPV), thousands UAH	3614,68
Discounted Return On Investment (DROI)	5,65
Profitability Index (PI)	6,65
Discounted Payback Period (DPP)	6 months

Source: Calculated by the author.

A necessary indicator of the effectiveness of the project is return on investment. As we can see that the calculated values of the accumulated discounted cash flows are positive (without any losses), the payback period is 6 months.

Planning the implementation of investment project involves some assumptions regarding capital and current costs, sales volumes, cost and market prices, project terms. A detailed calculation of future economic effect does not always guarantee accurate result and success. That is why it is necessary to evaluate the effectiveness of the project according to a pessimistic scenario (table 3.5).

Table 3.5

Forecast of cash flow dynamics during the implementation of the project to improve the control system at “ALEANA” LLC according to a pessimistic scenario

t	IC, thousands UAH	Bt (income), thousands UAH	Ct	Bt-Ct, thousands UAH	K discounting (r=25%)	Discounted cash flows, thousands UAH	NPV, thousands UAH	PI
0	639,36							
1		851,77	-	851,77	0,80	681,42		
2		899,4	-	899,4	0,64	575,62		
3		902,96	-	902,96	0,51	460,51		
4		906,53	-	906,53	0,41	371,68		
5		910,11	-	910,11	0,33	300,34		
Σ		4470,78	-			2389,57	1750,21	3,74

Source: Calculated by the author.

Calculation of the discounted payback period according to a pessimistic scenario is presented in table 3.6.

Table 3.6

Forecast of the discounted payback period during the implementation of the project to improve the control system at “ALEANA” LLC according to a pessimistic scenario

t	Cash flows, thousands UAH	K discounting (r=25%)	Discounted cash flows, thousands UAH	Accumulated discounted cash flows, thousands UAH
0	-639,36			-639,36
1	851,77	0,80	681,42	42,06

Continuation of the Table 3.6

2	899,4	0,64	575,62	617,68
3	902,96	0,51	460,51	1078,19
4	906,53	0,41	371,68	1449,87
5	910,11	0,33	300,34	1750,21

Source: Calculated by the author

According to the table 3.6 we can see that the calculated value of the accumulated discounted cash flows is positive for all periods. In general, the pessimistic scenario is quite effective. Evaluation of the effectiveness of the investment project according to a pessimistic scenario is presented in table 3.7.

Table 3.7

**The main indicators of the project effectiveness at “ALEANA” LLC
according to a pessimistic scenario**

Indicator	Indicator value
Net Present Value (NPV), thousands UAH	1750,21
Discounted Return On Investment (DROI)	2,74
Profitability Index (PI)	3,74
Discounted Payback Period (DPP)	11 months

Source: Calculated by the author.

As we see from the table 3.7, the payback period is 11 months. A matrix of possible profits from the project implementation according to different scenarios of economic environment is presented in table 3.8.

Table 3.8

**Alternative scenarios for the development of the economic effect of the
project at “ALEANA” LLC**

Scenarios	Probability	Profit, thousands UAH
Realistic	0,6	3614,68
Pessimistic	0,4	1750,21

Source: Calculated by the author.

We can make a conclusion, that our project to improve control system at “ALEANA” LLC with the use of Balanced Scorecard (BSC) will be successful. Realistic scenario is more acceptable for our enterprise, because the profitability index is 6,65 and the payback period is 6 months. These indicators are better than they can be according to a pessimistic scenario (profitability index is 3,74 and payback period is 11 months).

Implementing of BSC can help to compose full picture of business for enterprise, receive relevant information, which can help to make right strategic decisions, warn the appearing of crisis situations. BSC helps to make communication between departments more effective, which positively affects on the volumes of sales and productivity indicators of labor.

CONCLUSIONS AND RECOMMENDATIONS

In modern unstable conditions control system at the enterprise is essential factor that determines the success of its activity. In Final Qualifying Paper we considered theoretical and methodological foundations of the control system at the enterprise. We also proposed planning measures to improve the enterprise control system based on best international practices and made predicted evaluation of the results of improving the enterprise control system. During the research, we accomplished all tasks and can make the following conclusions:

1. Control system of the enterprise cannot exist individually, it has integrated nature. It evaluates not only management process as a whole, but also individual functions while providing the management with information at all stages of development, adoption and implementation of management decisions. Control allows implementing the strategy of the enterprise more efficiently, using resources rationally, providing accurate information to management, predicting and avoiding risks, providing correctness and completeness in registration of primary documents. There are three types of control: input (feed forward control), process (concurrent control) and output (feedback control).

2. "ALEANA" LLC is the leading Ukrainian production company for plastics processing. The company manufactures products for kitchen, home, garden and plastic furniture. The enterprise has a qualified manufacturing personnel and professional management. The quality of products is very high and as result the enterprise has direct contacts with famous world brands. "ALEANA" LLC has extensive distribution network and modern high-tech equipment park. Due to the analysis of production and economic activity, there is relative stability of economic indicators. In general, the organizational structure of the enterprise is optimal and appropriate, as it is represented by various functional units that perform certain duties and instructions of line managers. With such volume of production, the delegation of authority is appropriate to ensure effective operations.

The company implements a strategy of limited growth, which is in line with its economic and production potential, as well as in line with the opportunities and limitations of the market segment for the production of plastic products.

According to implemented research it is clear, that “ALEANA” LLC has some mistakes in implementation of the control. According to calculated Spearman rank, enterprise has a weak strategic plan and as result it cannot use its potential at maximum level. Detected that enterprise should develop a strong strategy with terms and responsible people for the result if its implementation.

3. To improve the control system of the enterprise the Balanced Scorecard was proposed to use. It ensures development of the strategy, structuring measures and reporting progress towards a specific goal. It can help visually observe the progress and success of the company. The BSC also gives a possibility to transform strategic goals into a clear operational plan for departments using key performance indicators. It helps to select the most effective projects, maintain a systematic approach to the formation of the goals of the enterprise and ensure control over the actions for improving control system.

4. The system of strategic measures that will improve the control system at the “ALEANA” LLC is developed with the use of Balanced Scorecard. Predictive evaluation of the results of improving the enterprise control system is implemented according to the realistic and pessimistic scenarios.

According to a realistic scenario for “ALEANA” LLC, the profitability index is 6,65 and the payback period is 6 months. Due to a pessimistic scenario, profitability index is 3,74 and payback period is 11 months. The realistic scenario is more desired for our enterprise.

In conclusion, we can admit that using of BSC will improve not only control system at “ALEANA” LLC, but also will make it highly competitive enterprise with a developed strategy and highly qualified employees, who know how to act even in an unexpected situation.

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Appendix A

Київський національний торговельно-економічний
університет
Факультет економіки, менеджменту і психології
Кафедра менеджменту
Кафедра економічної теорії та конкурентної політики

МЕНЕДЖМЕНТ: ІМПЕРАТИВИ ТА ВИКЛИКИ

Збірник наукових статей студентів денної форми навчання,
які здобувають освітній ступінь «магістр»
за спеціальністю 073 «Менеджмент»
спеціалізаціями «Управління бізнесом»,
«Торговельний менеджмент», «Менеджмент персоналу»,
«Управління в сфері економічної конкуренції»

Частина 2

Київ 2020

ЗМІСТ

ВСТУП

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ТЕХНОЛОГІЯ ТА ФУНКЦІЇ МЕНЕДЖМЕНТУ В ОРГАНІЗАЦІЇ

ENTERPRISE' CONTROL SYSTEM: THE ESSENCE AND ELEMENTS

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In the article the essence and elements of enterprise' control system are analyzed. The necessity of using a control system in the activity of the enterprise is proved.

В статті проаналізовано систему контролю підприємства, її сутність та елементи. Обґрунтовано необхідність використання системи контролю в діяльності підприємства.

Relevance of research. The well-organized and profitable activity of the enterprise depends on a control system. It is the key to success of any company. Control is necessary at any stage of enterprise functioning, that's why it is very important to understand it's essence and create favorable conditions for it's implementing.

If managers do not know the elements of the control system or do not know how to organize control, it can lead to inefficient activities of the enterprise in the market. That is why the issue of clearly defining the elements of the control system at the enterprise is very relevant.

A review of research publications and recent papers. Theoretical and practical aspects of enterprise' control system appear in the studies of famous researchers all over the world: M. Gedz [1], K. Novikova [7], H. Hanif [2], F. Kabuye [3], K. Mullakhmetov [4], K. Merchant [5], G. Michelon [6] and others. With the help of named authors we can deeply understand the role of the control system in the functioning of the enterprise.

However, as the role of control system is growing on the market, **the aim of our research** is to investigate it's essence and elements, and justify it's significance at the enterprise activity.

The main results of the research. Before the characterization of the enterprise control system it is important to understand what is control.

Control is a function of management that is responsible for achieving high quality of work of the enterprises and organizations. Role of control in the activity of enterprise is very significant. It has an integrated nature. It includes the implementation and evaluation success of the management process and also the individual functions, while providing management with information at all stages of development and implementation of management decisions.

Entrepreneurial control is a creative and innovative course of action the entrepreneur-directors take to realize the goal of a business which is to multiply the company's wealth. The entrepreneurial control is a social control. It is a creative and innovative action of the entrepreneur-directors to utilize socio-cultural condition of the «society» in the company that refers to the employees and investors. Having been able to properly read the socio-cultural condition of the society, the entrepreneur-directors will be able to seek «ways to control» that can be said an appropriate control in conjunction with the heart of the «society» in the organization. This can lead to an effective controlling process [2, p. 1202].

The role of control in the management system has an integrated nature as it is involved in the implementation and evaluates not only management process as a whole, but also individual functions while providing the management with information at all stages of development, adoption and implementation of management decisions with the methods of preliminary, current and final control.

The role of the control is the analysis of decision-making is considered fragmentarily and is reduced to the establishment of feedback at the final stage of the entire process of preparation, adoption and implementation of management decisions [4, p. 204].

Entrepreneurial control has the following elements: self-control, cross-control, and everyone is the controller in the company. The employees sincerely work hard to meet their financial goal, and at the same time, this can help the investors and entrepreneur-director to meet their goal as well [3, p. 1205].

Internal control helps managers to manage business processes more effectively. The main tasks of the system of internal control is to reduce financial expenditures; provide adaptation of the enterprise to changes of internal and external environment in time; save and use effectively different resources and potentials of the organization [1, p. 80].

One of the main features of the control is effectiveness. It is oriented not to discover the facts of the theft, but to prevent it. Every function of management is integrated with the control practice [7, p. 113].

For the control problems that cannot be avoided, and those for which decisions have been made not to avoid, managers must implement one or more control mechanisms that are generally called management controls. The collection of control mechanisms that are used is generally referred to as a management control system [5, p. 19].

Management control systems are not similar for different organizations. Some management control systems are aimed to hire people who will be very responsible and will help to make the organization very successful. Others provide incentives to accomplish targets in defined terms. Some organizations evaluate subjectively the performance of workers; others use nonfinancial measures of performance. There are some companies, which set a range of procedures for implementing by the staff and there are such ones that do not have these procedures and make decisions without any strict rules. The success of management control system depends on correct model of management control, which includes elements, procedures and necessary contents.

Internal control systems are processes aimed at assuring the achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and policies [6, p. 3].

An effective internal control system reduces asset loss, ensures that the organization's information is complete and accurate; financial statements are reliable and the organization's operations are conducted in accordance with the provisions of the applicable laws and regulations. Thus, the organization's management (the agents) should design, implement and maintain an effective system of internal controls in order to achieve their financial objectives [3, p. 3].

Management control is used by managers of middle level to achieve the goals of the organization. Operational control is implemented by the employees of a lower level. Corporate control is related to CEO s, board of directors and shareholders, and is used for the decision of the strategic problems. The idea of management control can be associated with strategic control and the idea of management control can be associated with management (and operational) control for decision-making. However, this reasoning may imply that three different management control systems may exist in every organization, what seems to be, at least, too costly. From another point of view it may imply that the same management control system should address three different and contradictory objectives. If any attempt will be made to unify these hypothetically different and separated systems, then a unique approach to the design of the overall control system seems to be a logical and efficient consideration [9, p. 14].

Types of control and their characteristics are shown at the table 1.

Table 1

Types of control and their characteristics

Types of control	Contents of the key control procedure	Relevance in management process	Nature of the control procedures	Tasks of the control procedures	Goal
Preliminary	Monitoring of the managed (controlled) processes and objects	During the MD preparation and adoption (in planning)	Constantly	Presentation of quality (accurate, timely and complete) and relevant information about the problem	Improving the efficiency of management activities to contribute to best achieve the goals of the organization
Current	Control over the personnel actions, operations, milestones and performance standards	During the MD implementation	Constantly	Exclusion of significant deviations from plans and instructions (performance standards)	
Final	Control over results of implementation of MD taken	After completion of the MD implementations	Upon the completion of the management cycle	Assessment of the success of the implementation of the decisions taken, Dissemination of successful experience, Training effect	

Source: Built on the basis of [4, p.211].

As we see at the table 1, there are three types of control and each of them has the same goal to improve the efficiency of the enterprise activity.

The basic principles of establishing and implementing management control [10, p. 32]:

- 1) The planning principle. It is the essential principle. It means that enterprises' management control should reflect complete programs and accomplishment of planned objectives.
- 2) The suitability principle. Management control of an enterprise should take into account the features of organizational environment and act in appropriate way according to different circumstances.
- 3) The materiality principle. The essence of this principle is the management control of an enterprise should be concentrated on the main and the most important tasks and ignore not important issues that are not threats to the targets of the organization.
- 4) The trend control principle. The management control should discover all the problems and threats of the enterprise with the help of historical data and current situation in the process of management control. Next step is to take all the necessary actions to prevent the enterprise from similar mistakes.
- 5) The exception control principle. The main task for the enterprise is to control abnormal and unconventional situations, which is the main requirement to improve the control efficiency.
- 6) The pre-active control principle. The essence is that an enterprise should take preventive control measures in advance through improving the quality of the control subject. Pre-active control principle emphasizes the training of those responsible for management control is of key importance.

One of the modern problems of the efficient control at the enterprise management system is the difficulty to integrate control functions in current and strategic objectives of this system. The problem of internal control is quite important and can influence on the activity of the enterprise, for example, the mistakes in financial reports, in relationships with customers and suppliers, in current objectives can cause bankruptcy of the enterprise. The solution of this problem is to form special methodology for analysis of the control system and then it's interaction with enterprise management system. This implementation can be based on matrix models.

For better understanding the role of control at the enterprise activity, we should to consider the role of control at every stage of management process (table 2).

Table 2

Role of control in management process

Management process (major stages)	Role of control	
Setting goals (strategy of operation and development)	Introduction of qualitative information about the state of objects and processes in the organization through feedback channels	
Development of ways and methods to achieve objectives (tactical and operational plans)	Dissemination of successful experience (providing information on successful resolution of similar problems and challenges in practice)	
Identification of problems in achieving the organization's objectives	Monitoring of the achievement of targets by deadlines, resources, results, Presentation of information about deviations	
Management decisions	Development and adoption	Providing information on the consequences and causes of deviations, Suggestion of reasonable options of the corrective action
	Implementation	Determining the success of the implementation of managerial decisions
	Elimination of the problem (goal achieved)	Generalization and dissemination of positive experience; training effect
Result	Problem is not eliminated	Identification of the cause (poor-quality managerial decisions, poor-quality implementation of managerial decisions, significant changes in the environment); option of the corrective actions
	New problem is revealed	Collection, generalization and analysis of deviations in the development, adoption and implementation of managerial decisions, identification of them as a problem. Provision of information on new problem through feedback channels
Development of the organization's objectives	Providing information in the system mode about achieving the objectives of the organization, significant deviations from the objectives, by environmental factors of the functioning and development of the organization	

Source: Built on the basis of [4, p. 212].

As we see at the table 2, the control should be implemented at every stage of management process in order to prevent mistakes and see the result of implemented actions.

Management control as a system should implement one or several activities regularly or continuously. Management control elements must be understood by the enterprise before management control will be done. Control systems elements of the enterprise are factors that react on the change of management control and all parts of management control system.

There are ten basic elements that enterprise has to pay attention for implementing effective management control system [10, p. 34]:

1) Control environment. This environment consists of internal and external environment of organization. The enterprise faces it when performing control activities. The enterprise firstly must be control environment.

2) Control variables. They are the key objectives that affect the strategic objectives of the organization. The control of such key factors as risk factors and value driving factors that influence on the organizational goals are the key to successful achievement of organizational goals. The enterprise must choose control variables which are the most important in definite situation.

3) Control standards. Control standards are also one of the main parts of control system. They are the quantifications of the control variables. They can be divided into the budget control standards, industry control standards, historical control standards, etc. Control standards must be chosen by the enterprise.

4) Information reports. The enterprise selects necessary information, which must be in time and effective. Information reports measure, record and report the data about the activity of the enterprise and reflect what the organization is doing.

5) Executing evaluation. It is the process of assessment and appraisal on an organization's activities. An enterprise should compare information reports with control standards and analyze them.

6) Deviation correction. This is the process of correcting the unfavorable variance between the actual results and control standards after evaluation. It must be done just after evaluation.

7) Performance evaluation. It is the evaluation of the results of completed work. The performance of an organization may be different from that of managers. When implementing management control, an enterprise must be concentrated on the evaluation of the performance of the managers or controllers.

8) Incentive mechanism. This mechanism is necessary in order to give a reward for good implementation of work and punish for bad one. The results of management control must be connected with the remuneration of managers to motivate them to work better and improve the control of the enterprise in this way.

9) Communication. It is necessary for transmitting information to the top management in time. That's why communication must be enhanced in the process of management control, because it is the guarantee of success of the enterprise development.

10) Monitoring. This is the process which means to monitor the implementation of management control and controlling of management control system, which is the main element of a sound control system.

Management control environment is the main element of management control system. It is the basis of the other management control elements, the premise of management control procedures, the reason of choosing management control modes, and the guarantee of executing management control activities. That's why, an enterprise should analyze management control environment at first. The other management control elements will be introduced in the part of management control procedures and management control modes.

If consider the control management system as the open one, for example, we can select the element of monitoring of external environment. But if we consider the close system of control, this element won't be there. According to the theoretical basis and the essence of management control at the enterprise, we can select such elements of management control: control of the external environment, control changes, standards of control, information reports, evaluation control, control of deviations, effectiveness evaluation, mechanism of stimulation, communication, monitoring. Every element provides it's unique function in the process of management control and is the main basis of the control system's quality [8, p.52].

Management control environment is divided into the external and the internal environments. Both of them consist of specific factors. The external environment of management control includes social environment, political environment, technological environment, business environment, industry competitive environment, suppliers and customers environment, etc. They consist of sub-factors. For example, social and political environment includes the factors of moral, culture, religion, ecology, etc.; government activities include the factors of institutions, laws, regulations, etc.; international business environment includes the factors of exchange rates, international capital markets, international trade policies, etc. The internal environment of management control mainly includes organizational strategy, organizational structure, responsibility center, enterprise culture and human resource, etc [10, p. 35].

Organizational strategy is important for construction of management control system. Formulation of strategy is the process of determining objectives of the enterprise and how to achieve them, while management control ensures the effective implementation of strategies.

Organizational structure is very important for enterprise to establish the organizational structure according to the strategy of the enterprise. Key functional departments must be chosen and the personnel at different levels of management must have enough knowledge and experience.

An enterprise shall authorize reasonably, make a clear division of responsibility centers and match the authorities with responsibilities. The responsibility centers should include revenue center, expense center, profit center and investment center. The enterprise should have a clear delineation of the respective responsibilities. It should also analyze item by item and provide the knowledge and skills that the jobs need. All the business units, branches and employees of the enterprise shall exercise the corresponding duties specified within the authorization. The enterprise should establish an effective responsibility evaluation and incentive feedback mechanism.

Human resource. An enterprise should establish the basic personnel management rules such as appointment, training, job rotation, promotion and elimination; building an objective, fair and reasonable performance evaluation and incentive mechanism; and establishing scientific human resource quality management rules to ensure that employee's have and maintain the quality of integrity, honesty, fairness and professional competence.

A systematic and adaptive culture must be created by the enterprise for a positive and a healthy culture atmosphere. The enterprise is better to improve all levels of cultures including spiritual level, spirit level and material level; form an entrepreneurial management philosophy and operating style; and establish the principle of good-faith and reasonable personal core values and corporate core values [10, p. 36].

For providing a strict basis for a good control environment the top management of the enterprise and Board of Directors should emphasize on the management control, improve specific rules and requirements for it, establish standards and processes and manage the employees to be very responsible and concentrated on implementing their work.

Conclusions. To sum up the gained result in the process of investigation the essence and contents of enterprises' control system, we can admit that control is very important at the activity of an enterprise. Enterprise's control system is the mechanism that promotes the achievement of objectives, provides information about any deviations in different spheres of enterprise's activity and helps to find solutions for elimination of these deviations and improvement the level of efficiency of the enterprise's activity. For better implementing of control the enterprise should pay attention to the elements of the control system and provide convenient circumstances for better work of these elements. Without well-organized control system the enterprise can become a challenge, that's why it is very important to use control at every stage of management process and find deviations, which must be eliminated in time.

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МЕТОДИЧНІ ПІДХОДИ ДО ФОРМУВАННЯ СИСТЕМИ МЕНЕДЖМЕНТУ НА ПІДПРИЄМСТВІ

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У статті визначено сутність системи менеджменту підприємства. Охарактеризовано методичні підходи до формування системи менеджменту на підприємстві та розкрито її структуру. Обґрунтовано основні напрямки вдосконалення системи менеджменту на підприємстві.

The article defines the essence of the enterprise management system. Methodical approaches to the formation of the management system at the enterprise are described and its structure is revealed. The basic directions of improvement of the management system at the enterprise are substantiated.

Постановка проблеми. Одним з ключових понять менеджменту, яке безпосереднім чином пов'язане з функціями, шляхами, процесом управління, а також з роботою управлінців і розподілом повноважень між ними задля виконання визначеної мети, є система управління на підприємстві. В межах зазначеної системи відбувається увесь управлінський процес, в якому приймають участь управлінці всіх рівнів. Система менеджменту підприємства формується з метою своєчасного та якісного здійснення всіх процесів, які протікають в ньому. Саме тому фахівці з менеджменту та безпосередньо керівники підприємства приділяють їй значну увагу, маючи на меті безперервне вдосконалення та розвиток її складових. Таким чином, формування ефективної системи менеджменту в рамках окремого підприємства сприяє досягненню поставлених ним цілей та завдань. В контексті зазначеного вище дослідження методичних підходів до формування системи менеджменту на підприємстві є вкрай актуальним завданням.

Аналіз останніх досліджень і публікацій. Теоретичні, методичні та практичні аспекти формування системи менеджменту на підприємстві досліджували такі вітчизняні та зарубіжні вчені, як: Г. Мошек, Б. Міщенко, Л. Берталанфі, О. Віханський, Г. Осовська, О. Осовський, А. Наумов, Р. Фатхутдінов, І. Ансофф, Т. Іванова, Л. Довгань, В. Герасимчук, Ф. Хелоурі, М. Месков, П. Друкер, А. Богданов, С. Янг, Т. Воронцова, Ю. Черняк, Ф. Хміль, О. Кузьмін та багато інших. Проте, незважаючи на численні наукові доробки, дослідження сучасних методичних підходів до формування системи менеджменту на підприємстві потребує подальшого розгляду, що ще раз доводить актуальність обраної теми статті.

Appendix B

Table B.1. Retrospective balance sheets at "ALEANA" LLC in 2017-2019
years, thousands UAH

Assets	Code	01.01. 2017	01.01. 2018	01.01. 2019	01.01. 2020
1	2	3	4	5	6
I. Fixed assets					
Intangible assets:	1000	13	4	118	66
initial value	1001	98	98	255	255
accumulated depreciation	1002	85	94	137	189
Incomplete capital investments	1005	1327	90	56	163
Fixed assets:	1010	36651	48956	38535	27885
initial value	1011	48921	69606	70300	64321
depreciation	1012	12270	20650	31765	36436
Investment Property	1015				
Long-term biological assets	1020				
Long-term financial investments:					
that records under the equity method other enterprises	1030				
other financial investments	1035				
Long-term receivables	1040				
Deferred tax assets	1045				
Other fixed assets	1090				
Total for Section I	1095	37991	49050	38709	28114
II. Current assets					
Inventories	1100	67864	82623	84984	81754
Current biological assets	1110				
Accounts receivable for products, goods, works, services	1125	47517	63099	81649	126193
Receivables accounts:					
for advances paid	1130	14824	12279	13318	9571
with a budget	1135	868	1663		
including income tax	1136	845	699		
Other current receivables	1155	177	837	211	236
Current financial investments	1160				
Money and cash equivalents	1165	745	2680	3102	1990
Prepaid expenses	1170	7566	7572	20	24
Other current assets	1190	477	1220	543	226
Total for Section II	1195	140038	171973	183827	219994
III. Non-current assets held for sale and disposal groups	1200				
Balance	1300	178029	221023	222536	248108

Liability	Code	01.01. 2017	01.01. 2018	01.01. 2019	01.01. 2020
1	2	3	4	5	6
I. Equity					
The registered capital	1400	29	29	29	29
Capital in revaluation	1405				
Additional capital	1410				
Reserve capital	1415				
Retained earnings (uncovered loss)	1420	(1000)	21420	42564	87274
Unpaid capital	1425				
Withdrawn capital	1430				
Total for Section I	1495	971	21449	42593	87303
II. Long-term liabilities and ensuring					
Deferred tax liabilities	1500				
Long-term bank credits	1510				
Other long-term liabilities	1515	62432	67992	67074	57379
Long-term ensuring	1520				
Targeted financing	1525		18		
Total for Section II	1595	62432	68010	67074	57379
III. Current liabilities and ensuring					
Short-term bank credits	1600	450	9760	10000	19190
Current accounts payable					
for the long term obligations	1610				
for goods and services	1615	85788	94279	69511	53458
for payments to budget	1620	272	377	2037	4973
including income tax	1621				1909
for insurance payments	1625	300	417	691	716
for payments of wages	1630	1126	1548	2622	2762
Current ensuring	1660	1691	2143	3637	4199
Deferred income	1665				
Other current liabilities	1690	24999	23040	24371	18128
Total for Section III	1695	114626	131564	112869	103426
IV. Liabilities related to non-current assets held for sale and disposal groups					
	1700				
Balance	1900	178029	221023	222536	248108

Table B.2. Retrospective analytical statements of income at "ALEANA" LLC
in 2017-2019 years, thousands UAH

Item	Code	2017	2018	2019
Net income (revenue) from sales of products (goods and services)	2000	296914	360077	416499
Cost of sales of products (goods and services)	2050	232161	287244	324274
Gross:				
profit	2090	64753	72833	92225
loss	2095			
Other operating income	2120	8428	19317	29361
Administrative expenses	2130	6731	8480	8489
Selling expenses	2150	23144	32532	40512
Other operating expenses	2180	14069	20913	10987
Financial results of operations:				
profit	2190	29237	30225	61598
loss	2195			
Income from equity	2200			
Other financial income	2220			
Other income	2240			
Financial expenses	2250	1896	4425	6660
Losses from equity	2255			
Other expenses	2270		11	407
Financial results before tax:				
profit	2290	27341	25789	54531
loss	2295			
Expenses (income) income tax	2300	4921	4645	9821
Profit (loss) from discontinued operations after tax	2305			
Net financial result:				
profit	2350	22420	21144	44710
loss	2355			

II. ELEMENTS OF OPERATING COSTS

Name of index	Code	2018	2018	2019
Material costs	230	173905	209558	209178
Labour costs	240	35667	51771	65545
Deductions for social measures	250	7762	11235	14326
Depreciation	2515	9809	11536	11062
Other operating costs	270	55201	71814	73753
Total	280	282344	355914	373864

Appendix C

Organizational structure of “ALEANA” LLC

