

Київський національний торговельно-економічний університет

Кафедра менеджменту

ВИПУСКНА КВАЛІФІКАЦІЙНА РОБОТА

на тему:

«Управління підприємством торгівлі в умовах невизначеності»
(за матеріалами ТОВ «Компанія Легіон», м. Черкаси)

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Київ 2021

Kyiv National University of Trade and Economics
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FINAL QUALIFYING PAPER

thesis:

«Management of the trade enterprise in the conditions of uncertainty»

(based on the materials of «Company Legion», LLC, Cherkasy)

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INTRODUCTION

The relevance of the study. Appropriate management strategy is a key element to reach success in the modern competitive market. There are many approaches and ways to reach the goals listed in the company's strategy. However, there is always a chance to fail because of irrelevant management strategy, existing and potential risks, threats and uncertainty. The modern world is fast changing and unsustainable and it brings some advantages as well as disadvantages for managers around the world. Managing a trade enterprise has become a challenging process affected by the growth of information technology, innovations and conditions of uncertainty. Even though managers are used to a certain level of uncertainty which they face in everyday decision making processes, high-level uncertainty can bring many problems to company's management and even ruin existing structures and organizations. Hence managers share responsibility of forecasting potential threats through different methods, evaluate them and create different scenarios in relation to prevent risks and maximize profit.

Management strategies and levels of uncertainty are still difficult to evaluate as these notions are quite vague and sometimes irrational. We can consider it a place where accurate financial performance reports cross with the manager's gut to solve any type of problem. There are some scientists who contributed to the theory and development of the following theme.

The purpose of the study is analyzing of the main aspects of management process of the trade enterprise in conditions of uncertainty and its implication and development in «Company Legion», LLC, Cherkasy.

According to the purpose of the study, the following **tasks** were formulated and solved:

- to define basic theoretical and methodological concepts of management strategies in conditions of uncertainty of a trade enterprise;
- to analyze current management strategy of the enterprise;
- to analyze the impact of uncertainty on management of the trade enterprise in general and on basis of LLC - «Company Legion» , Cherkasy;
- to develop recommendations on improving management strategy in conditions of uncertainty for LLC - «Company Legion» ,Cherkasy.

The object of the research is a management process of LLC «Company Legion» in conditions of uncertainty.

Subject of the research is theoretical, methodical and practical aspects of ensuring the effectiveness of management of the trade enterprise in conditions of uncertainty.

Research methods are theoretical (analysis and synthesis to highlight literature sources and key concepts, comparative analysis to compare and contrast scientific terms, generalizations to draw conclusions), empirical (monitoring of scientific works of famous authors, monographs, articles, media), practical (economic analysis activities of the enterprise to provide its economic characteristics, analysis of activity products to highlight profitability, tabular, graphical methods of presenting information for the visual design of the results).

Information base of the research in the final qualifying paper are materials of the State Statistics Service of Ukraine, open data services, scientific works of domestic and foreign scientists, materials of periodicals, educational materials, reporting and internal data of LLC «Company Legion», data of own observations.

The scientific novelty of the obtained results lies in the development and substantiation of areas of enterprise management when facing the conditions of uncertainty.

Approbation of results. The results of the study are reflected in the article "Management of the enterprise in the conditions of uncertainty" // Management: Imperatives and challenges: collection of scientific studies. Part 2. P.22 - 25

Structure and volume of the final qualifying paper. The final qualifying paper consists of an introduction, three parts, conclusions and recommendations, references and appendices. The volume of work is 44 pages of computer text. The work contains 15 tables, 9 figures and 1 appendix. The list of used sources includes 31 names.

PART 1

THEORETICAL AND METHODOLOGICAL BASES OF DEVELOPMENT OF ENTERPRISE MANAGEMENT STRATEGY

1.1. The essence and classification of enterprise management strategies

The most important thing about strategies is its relevance to the current state of the company and future challenges. To start working on management strategies we need to take into account the history of the company, every single decision made in the past and all possible consequences in the future. Current situation on the market of almost any product brings nearly all enterprises to the conditions of uncertainty. There are many factors that are influencing it, therefore picking appropriate management strategy is a must-have for every product enterprise. The definitions of management strategy are numerous and none of them is considered to be universal. However, there are some main principles of any strategy such as planning beforehand, sequencing the actions and being purpose-oriented. According to A. Thompson and A. J. Strickland “a strategy is a plan of management of the company, aimed at strengthening its position, customer satisfaction and achievement of the set tasks” [30].

B. Henderson declares the following “A strategy is a careful study of an action plan that develops and multiplies competitive advantage in business” [15].

One more definition is one of D. Shendel and K. Patton: “The process of identifying and linking an organization with its environment, which is formed in the process of achieving the chosen goals, ways to achieve the desired state of relations with the environment through such a distribution of resources that allows the organization and its departments to operate effectively and efficiently” [26].

In all these definitions of strategy is considered to be a long-term plan with its own purpose and defined direction. According to Henry Mintzberg from McGill University “strategy will be defined as a pattern in a stream of decisions. In other words, when a sequence of decisions in some area exhibits a consistency over time, a strategy will be considered to have formed”[23].

In my opinion, this definition is quite accurate, we consider the plan as a pattern of appropriate actions/decisions which are relevant to a certain enterprise or organization. From the definition of strategy we move to management strategies and approaches of modern management. “Management strategies are a collection of processes that businesses use to ensure their activities remain aligned to the company's mission, objectives and strategic plan” [31].

Table 1.1

Three elements of the management strategy

Elements	Description
Strategic goals	Setting appropriate strategic goals is a key to indicate a direction of company's activity and make it clear for the employees of the company.
Scope of activity	A way to gain competitive advantage (e.g. high quality, low price, flexibility of delivery, brand, specific characteristics of a product or service, etc).
Functional strategies	All the elements of management strategy of the company are related and should be considered as equally important parts of its implementation.

Note. Formed on the basis of processing [21, P. 48 - 62].

Within a market environment, businesses divide their strategies into three levels:

- 1) the overall strategy of the enterprise, which involves the selection of a set of goods or services to be presented in selected markets;
- 2) a competitive strategy for a particular product or market and identifying the appropriate way to compete in that market;
- 3) a functional strategy (there are usually several such strategies, such as production, marketing, logistics, etc.).

The most popular model of competitive enterprise strategy is M. Porter's concept [25]. He identified four alternative competitive strategies:

- cost leadership that most often requires significant market share, aggressive pricing and investment, cost control, experience, and minimization of research and innovation costs, etc.;
- a differentiation strategy based on the differentiation of the goods or services of the enterprise, as well as on the creation of something different; there are several ways of differentiation: sales methods, basic product characteristics, brand, form, etc.;

– market niche and low pricing strategy and concentrated differentiation strategies are focused on serving the chosen market niche and are able to take advantage of competitors operating within the entire market or within the segment [8].

Picking a management strategy for the company is a very important process which allows the enterprise to move toward its goals avoiding potential risks. To choose an appropriate strategy a director of the company should consider the current state of the enterprise, mission, strategic focus areas, vision, core values etc. Primarily, management strategies should be relevant to the strategy or strategic plan of the company, because they are representing the ways of achieving certain goals.

There are no ready-to-use strategies which are able to be applied to every enterprise, however there are several basic groups of strategies to consider. The groups of strategies are identified by management approach and current state of some elements of the enterprise (Table 1.2).

Table 1.2

Four basic groups of management strategies

Indicator	Essence
Concentrated growth strategy	This group of strategies is connected with the change of product or market. Although the industry remains the same, a product should be redeveloped or modified as well as the market. This group includes such strategies: <ul style="list-style-type: none"> - strategy to strengthen its market position; - market development strategy; - product development strategy.
Integrated growth strategies	This group of strategies concentrates on expanding the company by adding new structural elements etc. It includes such strategies: <ul style="list-style-type: none"> - reverse vertical integration strategy; - direct vertical integration strategy.
Diversified growth strategies	This group of strategies is applied if the enterprise is not able to develop with a particular type of product in particular market and within particular industry. Among such strategies we admit: <ul style="list-style-type: none"> - centered diversification strategy; - strategy of horizontal diversification; - strategy of conglomerate diversification.
Planned reduction strategies	This group of strategies is consisted of elements of other groups; however, we identify such strategies: <ul style="list-style-type: none"> - liquidation strategy (carried out then, when the enterprise can no longer function); - strategy of "harvesting" (provides abandonment of a long-term view of business in favor of maximum income in the short term).

Note. Formed on the basis of processing [2, p. 345 - 346].

Implementing certain styles of management depends on a basic management strategy applied to a particular company. The strategy describes a direction and behavior of leaders to reach goals, meanwhile the style is one of the possible ways of managing a company, team or any other particular group of employees to have better performance. It's important to notice that any management style can be moderated corresponding to different factors that can affect performance of the company or its department. Moreover, almost all the styles can be combined with each other or even can be divided into multiple pieces and mixed to reach the best results.

1.2. The process of developing an enterprise management strategy in conditions of uncertainty

In constantly changing society and markets businesses have to consider conditions of uncertainty, especially during the period of high economical risks. They need to take into account an external environment, management strategy and approaches, selected tools and processes implementation as well. Considering all the following facts companies want to develop effectively, to grow bigger and have maximum income. Business uncertainty is about situations in which companies face any risks that can't be foreseen. It may be difficult for enterprises to predict their performance in permanently changing situations. Changes in the economic, technological, political and environmental fields — such as technological issues, data crashing, natural catastrophes, or new policy — can provoke uncertainty in business [13].

Normally companies meet many uncertainties of completely different consequences. Managers work with issues by relying on already set processes designed to reduce uncertainty and risk factors in many ways. Although during a huge crisis, uncertainty can reach its extremes, and the normal way of working is almost impossible. Responding to uncertainty and high risks management has to take adequate measures which are different to their normal managing approaches.

Uncertainty is being measured in two dimensions: magnitude and length. Considering both measures, the tremendous uncertainty damaged the field of public-health and economic harm caused by the COVID-19 pandemic has not been seen before. It is not bizarre, that enterprises require a new management model to deal with processes under conditions of uncertainty. The magnitude of the uncertainty often depends on how frequently companies get updated information about uncertainty and its sources.

In such a situation the operating model should quickly respond to updates with minimum delay and be flexible during the period of high level risk. The length of the crisis can be not relevant to predictions of many analysts. Managers should be ready to operate in uncertainty mode for any period [19].

When an analysis is done, we can face another type of uncertainty which is called residual uncertainty. For example, the outcome of a regulatory debate or the performance of developing a new product which is still in process. Sometimes, we even can be aware of some residual uncertainties (Fig. 1.1).

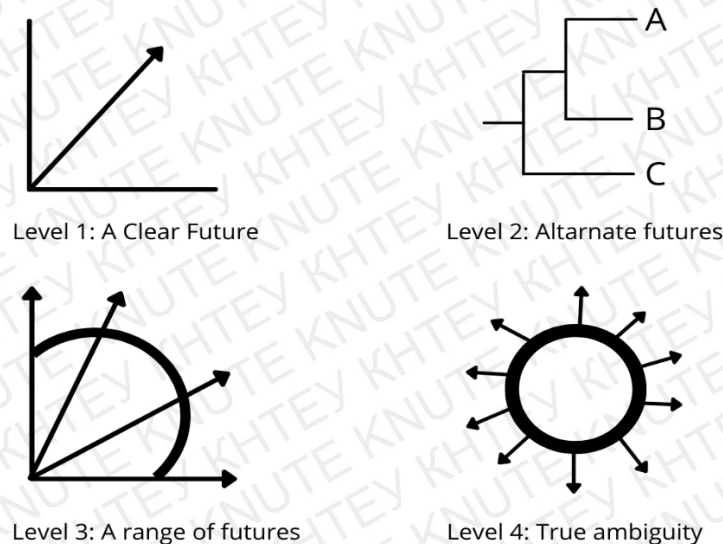


Fig. 1.1 Levels of uncertainty according to McKinsey & Company

Note. Formed on the basis of processing [18].

According to some studies there are four levels of uncertainty. All fields of business have some relevant strategic information even if the business environment is considered to be uncertain. At least, we can identify trends: level of demand,

demographics etc. This information is clear and is always ready to use. Besides, we must admit that there is much knowledge which remains unknown for a certain period of time, but it can be known in general. It can be related to technical issues in the company or a low level of knowledgeability of company management. In such cases an analysis has to be made.

Managers can forecast the future which is pretty accurate for development of a future strategy of the company.

To predict level 1 consequences managers can use the basic set of tools, including market research, analysis of value chain, five-forces framework, cost and capacity analysis. In this case we can expect more accurate results as the company faces only the first level of uncertainty (Table 1.3).

Table 1.3

Four levels of management uncertainty

Levels	Essence
Level 1: Clear Future	Even though it won't be exact considering the fact that all business environments are uncertain in some ways, the forecast will be good enough to make right strategic decisions. In the end, the rest of the points which remain unknown are unimportant for making strategic decisions.
Level 2: Alternate Futures	Possible futures can have different alternate ways. Analysis won't help to identify the only consequence but it can help to discover probabilities. Some elements of the strategy can change if the final results are getting more predictable.
Level 3: A Range of Futures	There are several possible futures. The number of futures is limited only by a number of points to change, one of which possibly represents a right solution. The analysis can be made before making decisions in case to find a variable that possibly will reduce the risk of uncertainty. Sometimes the range of possible solutions can be rather broad and solid research should take place before the action. In some cases numerous variables can be applied to make a comparison within the following range and afterwards to narrow it.
Level 4: True Ambiguity	There are multiple dimensions of uncertainty which create an environment which is impossible to predict. Frequently this level of uncertainty. Level 4 risks are very seldom but still very dangerous. Among the causes leading to this level of uncertainty we can admit political assassination, currency default etc. It can lead to unpredictable outcomes. Despite the level of uncertainty, managers of the company should provide a set of managerial decisions to minimize risks.

Note. Formed on the basis of processing [18].

Level 2 issues are more complicated. Managers of the enterprise analyze the situation and identify scenarios according to their knowledge and awareness. All scenarios can require a different evaluation system depending on which scenario is proceeded. Alternative solutions can take place as well. After considering an appropriate assessment system for every probable outcome and determining how probable they are, a classic decision-analysis framework can be applied to assess the risks and decide on appropriate solutions. This method will determine winner-scenarios and loser-scenarios and afterwards can be a great approach to change a strategy of the company. Not only scenarios of probable future are important. One of the keys is to analyze the industry and think about the ways of possible solutions, including changes in policy, competitors coming out etc.

Level 3 scenarios assessment is quite similar to that one in level 2. However, level 3 is still more complicated and requires more attention to external factors and a way the market is leading to. It is not so straightforward as it can be at level 2, managers should consider all probable scenarios, including those which represent extreme points.

However, there should be no more than 4 or 5 alternatives, otherwise it tends to complicate decision making. Besides, managers should avoid redundant scenarios that have no unique implications for strategic decision making or are too vague themselves. In the end, they should not concentrate on all possible futures but just pick those which are most probable.

Level 4 analysis is still necessary even considering the fact of complete uncertainty and high urgency. Managers should catalog everything they know and what can be known. Even if it's impossible to get any significant scenario, profound analysis can help to gain strategic perspective on what is going on. Sometimes it is possible to get to know some variables. Such kind of information can at least help managers to discover the way of uncertainty development. After all, managers can only attend new information and change valuables in relation to updates [12].

To evaluate and develop an appropriate management strategy in conditions of uncertainty we need to take into consideration the risk assessment strategy and its methodological approaches. Uncertainty is almost impossible to assess. Managers can

only distinguish the level of uncertainty and develop several probable or possible scenarios to solve the problem or at least minimize losses. Although uncertainty is vague and unpredictable, managers can assess related risks and make the situation clearer and easier to solve. Risks are easier to manage since they can be defined and predicted. In such way managers can avoid extra losses as they urgently activate crisis or risk.

Considering the fact that the company is facing uncertainty, managers should choose a relevant management strategy, which includes constant risk assessment, adaptiveness, flexibility etc. Management strategy is applied in relation to targets of the company and its approaches to the processes. However, success of a company in conditions of uncertainty often depends on decisions which can be applied to management strategies in various degrees. It is obvious that the company can't follow their current strategy facing a crisis or new uncertainty. It should be changed in relevance to current conditions to decrease the level of risk and future losses. Fast reaction to current state on both internal and external stages is a key to get on with crisis or uncertainty.

Considering different management strategies, we can admit that some of them are not applicable or are not likely to be applicable during the period of uncertainty, especially level 4. Among them we can distinguish Best Practice strategy which involves past knowledge to solve existing problems. This strategy can be successful dealing with low-level uncertainties. Besides, it can show several ways of solution and help us to pick the right one. But it doesn't work since this type of uncertainty is unseen earlier. In some ways managers can refer to Cost management, Innovation including Fail Often, Risk management, Scenario planning etc. Most management strategies can be combined to have better performance.

Before evaluation of enterprise management strategy, we need to consider the fact that managers can evaluate management strategies only if they are measurable, managers understand goals and have enough knowledge. However, it can be almost impossible during the period of uncertainty. Therefore, we distinguish two major approaches for assessment: objective and subjective. Objective approach is considered

to be more accurate and often gives better results. In case of uncertainty both approaches are applicable, as we need to take into consideration the fact that the period of uncertainty brings many unknown factors which are not likely to be measurable. In such a way we should gain as much information as we can, but still sometimes we can rely only on our guts. Objective approach is based on particular measurable indicators and performance of the project, team, individual or entire company. Although the subjective approach is based on perception of the process, impressions, expectations etc [17].

During the period of uncertainty managers can rely on their own perception of this or that situation, especially considering level 3 or 4 of uncertainty, which include too many variables and unknown information. To make a wise decision managers refer to their own experience, knowledge of particular processes and subjective evaluation of employees' qualification and its relevance to a certain situation.

To begin with, we need to consider major approaches of management strategy evaluation in general. Considering objective and subjective approaches of evaluating management strategies we include financial performance indicators, internal coordination and integration, risks and uncertainty assessment, human capital applying [29].

Financial performance of a company is always a key for management strategy evaluation. Choosing the right management strategy can prevent unexpected losses and expenses and lead to improving the company's performance. Even in conditions of uncertainty managers should act sensibly to make sure that company is leading to its goals regardless of potential threats, risks and conditions of uncertainty.

Among core indicators of financial performance of the company we can admit gross profit margin, net profit margin, working capital, current ratio, quick ratio, leverage, debt-to-equity ratio, inventory turnover, total asset turnover, return on equity, return on assets, operating cash flow and seasonality [28].

There are many more financial performance indicators to analyze, however we listed above only essential indicators which are enough to identify if the picked management strategy is right or wrong. Regardless of this point we need to admit that

it is not enough to entirely evaluate management strategy. In such a way we evaluate only its financial aspect.

The next stage of evaluation is the process of internal coordination and integration in the company. It can be based on both objective and subjective indicators, including timeliness of tasks and reports, task performance, implementation of company's strategy etc. Low level of coordination can lead to disorders in a company's processes, loss of employees' motivation, faith and employer's leadership. Among listed indicators we mentioned risk and uncertainty assessment.

High level of performance in risk management proves that management strategy is appropriate and considers all potential risks. That is one of the key responsibilities of a manager. According to this approach we evaluate flexibility of management strategy and its readiness to serve the company's needs and goals considering potential threats. As we mentioned before, "game plan" shouldn't always be unchangeable, vice versa the speed of its reaction toward external and internal stimulus proves its viability. Besides, a risk solution improves the state of financial performance of the company. However, we shouldn't take into consideration only the fact of high financial performance during management strategy evaluation as a company's financial state can be affected by a variety of aspects without direct relation to management strategy.

In the end appropriate appliance of human capital is important as well. One of the most important responsibilities of a manager is to allocate the right employees to the right workplaces. Therefore, a highly evaluated management strategy provides good personnel management, efficient operating performance of employees, sharing knowledge etc.

Besides this evaluation strategy we can admit the other one developed by Oracle NetSuite in 2020. According to this evaluation strategy business in conditions of uncertainty should consider 3 major aspects of analysis: visibility, control and agility. Oracle introduced 3 main questions as well to analyze current state of the company:

- "What can you see right now?
- What can you control now?
- How can you be agile to change now?" [14].

This strategy was developed to deal with uncertainty caused by COVID-19 pandemic. Many managers of different companies faced such level of uncertainty for the first time and they didn't realize the impact it can have on their companies' performance. For such purposes this strategy was developed, to introduce a complete guide of evaluation risks and uncertainty and provide managers of different levels with basic approaches to deal with following conditions.

PART 2

ANALYSIS OF THE FUNCTIONING OF LLC "COMPANY LEGION" IN CHERKASY

2.1 Review of the chemical industry

As a part of chemical industry LLC «Company Legion» depends on growth of the market and production potential of chemicals and other related products. The enterprise concentrates on different types of paints, including paint for agricultural needs and varnishes. Such variety of products can decrease potential risks of losing profitability, however at the same time it makes the enterprise more vulnerable to changes in the different groups of chemical producing.

Considering the data of annual activity of the industry we analyzed total performance in 2019 - 2020 and 2020 – 2021. We took into analysis only three categories of chemical industry which corresponds to activities of LLC «Company Legion». Among them we admitted production of chemicals and chemical products, production of pesticides and other agrochemical products, production of paints, varnishes and similar products, printing ink and mastics. According to the figure 2.1 we can observe a massive increase of pesticides and agrochemical products production in 2021. However, we should admit a minor decrease of chemicals production in general and a decrease in production of paints (varnishes etc.) in comparison with 2020.

The chemical industry produces products using chemical methods of processing raw materials. The importance of the complex is that it uses a variety of raw materials, is characterized by significant features of technological processes, an extremely wide range of applications in the national economic complex and the life of its finished products and semi-finished products. The chemical industry is distinguished by an extremely wide raw material base. It uses non-metallic mineral (chemical) raw materials from the earth's interior (potassium and table salts, phosphatides, apatite, sulfur), fuel mineral resources (oil, natural gas, coal, shale), waste ferrous and nonferrous metallurgy, forestry, food and light industry.

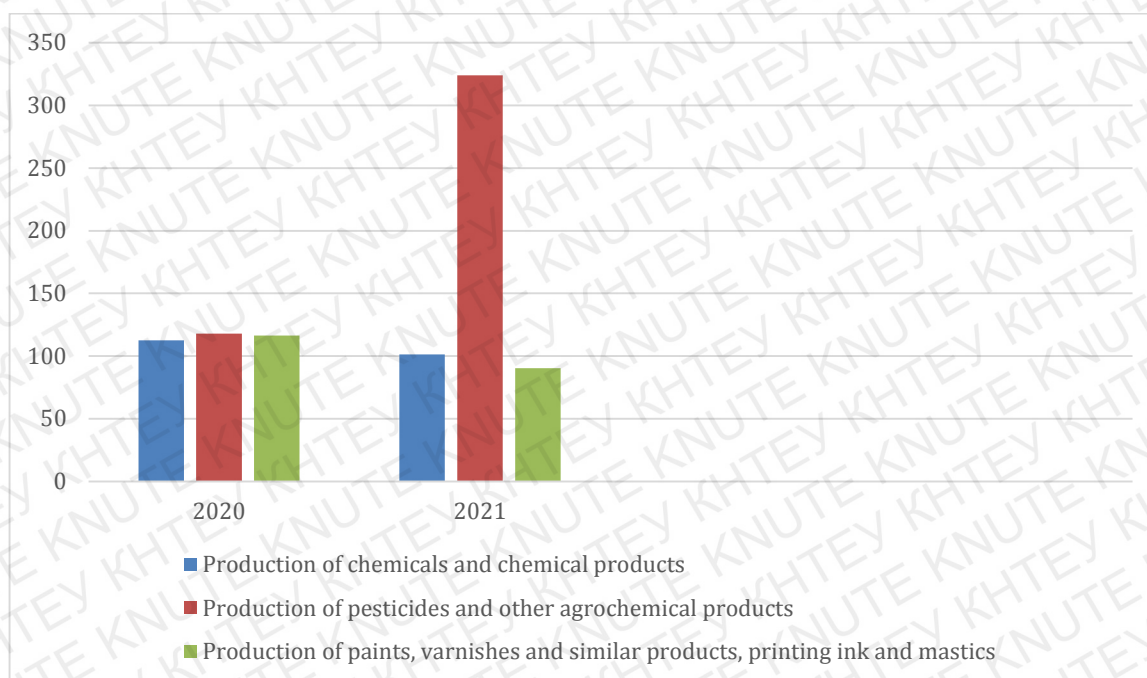


Fig. 2.1. Indices of industrial production, by type of activity in 2020 -2021, percent to the corresponding period in previous year

Note. Formed on the basis of processing [3].

Using raw materials from other industries, the chemical industry combines and cooperates with them. It is also characterized by the concentration of production carried out by merging enterprises or increasing the capacity of technological lines. Some branches of the chemical industry have their own specific features. Many of them require a large amount of water to carry out technological processes. Fiber production is also quite time consuming. Other branches of the chemical industry require large amounts of fuel or electricity. Thus, the chemical industry in general is material-intensive, which is due to the high cost of raw materials per unit of production.

Therefore, the development and location of industries or individual industries of the chemical complex are determined by the action of various factors: raw materials, fuel and energy, water, labor, consumer, environmental and others. The modern chemical complex of Ukraine includes enterprises of the following industries: chemical industry (mining and chemical industry, basic chemistry, chemical fibers and threads industry, synthetic resins and plastics industry, paint and varnish industry, synthetic dyes industry), chemical and pharmaceutical industry, petrochemical industry (production of products basic organic synthesis, tire, rubber and asbestos industries).

Among all branches of the chemical industry we distinguish paint manufacturers of both synthetic and organic paints. Main Ukrainian paint manufacturers are situated in different regions, including Lviv, Odessa, Dnipro, Cherkasy regions etc.

Variative dislocation of paint companies is connected with absence of strong relation between mining sources and manufacturing. Most of the suppliers are dislocated in China, therefore the dislocation of paint companies doesn't play a huge role in relation to supply as in other chemical industry branches. However, it is important to be placed not far from retailers and end consumers to reduce expenses connected with delivery and supply chains.

The market of Ukrainian paint companies is constantly growing, however only 10% of all companies can fulfill more than a half of consumers' needs. More than 80% of paints is manufactured in domestic factories, only 12% - 20% is imported. Export of paint products remain low, up to 10% of the entire market [8]. It shows that manufacturing and trading target of paint products is domestic market. Moreover, most of the products target individual consumers rather than companies, facilitators or others. The research showed that more than 79% of purchases were made by individuals for their private needs, when only 12% of products were sold for working purposes [16].

In Cherkasy region there are more than 400 large and medium-sized industrial enterprises engaged in the production of industrial products, which employs more than 50.0 thousand workers. Cherkasy region is among the leaders in the production of mineral fertilizers, buses, pharmaceuticals and fabrics. According to the Main Department of Statistics in Cherkasy region in January - August 2021, the index of industrial production in the region compared to January - August 2020 was 97.9% (in Ukraine - 101.7%), which corresponds to 18th place in the ranking of regions. During January - August 2021 in the region there was an increase in production compared to the same period last year [7].

LLC "Company Legion" - chemical production and trade enterprise, mainly - latex sealant for cans, water-soluble adhesives and hot melt adhesives for gluing labels and excise stamps, as well as for the agricultural sector - a special dye for marking

seed, a seed crop gluer to minimize crop losses and an adhesive to increase penetration plant protection products. [20].

Company mainly works in B2B trade however it is growing its potential in B2C trade as well. The Trading company is located in Cherkasy. In this region several chemical industry enterprises are presented. Among them we can admit limited liability company "Helios Ukraine" ("Helios Ukraine" LLC) which is one of the biggest manufacturers of paints and coverings in Europe. For years LLC "Company Legion" has been producing and distributing latex seals for cans which is a core branch of the company as only few companies in Ukraine provide such products. Besides, the owners of the company even patented a technology of manufacturing such latex seals for cans.

Moreover, the company is manufacturing and distributing organic agro paints and glues for seeds and fireproof, insect protection coverings. In 2020 the company concentrated more on B2C trading manufacturing and distributing coverings for individual consumers.

The chemical industry, including paints, glues, seals and coverings, is very competitive in Ukraine, in Cherkasy region as well. According to indifference to disposition of raw materials bases and concentrating only on supplying chains, the level of competitiveness is growing across the country.

However, as we already mentioned in our brief analysis most of the companies in the market are not competitive as they can't compete with huge industrial giants. However, small or medium size companies bring to market niche products, sometimes with limited patents on its manufacturing and distribution. Most paint, covering, seal and glue companies trade through facilitators and retailers, but some of them are distributing their products directly to the end consumer through own stores, wholesale markets, direct agreements etc.

In B2B trade companies count on strong and reliable partnership, mostly with local companies, especially taking into consideration agro companies in Cherkasy region and other neighboring regions. They appreciate the high quality of products, timeness and price, besides they at least reduce delivery costs. In B2C most of paint, covering, seal, glue companies are presented in local, national and international retail

stores, including Epicenter and Leroy Merlin. Besides, sometimes they provide services and own product distribution in their brand stores.

2.2 Analysis of the enterprise activity in conditions of uncertainty

As it was mentioned before there are several major indicators of management strategy performance, including financial performance, internal coordination, risk and uncertainty assessment, appropriate appliance of human resources. To begin with we need to analyze the financial performance of the enterprise.

LLC "Company Legion" was established in 1997 in Cherkasy. The main activity: 22.19 Manufacture of other rubber products. However it has additional areas of activity: 01.50 Mixed agriculture, 01.61 Ancillary activities in crop production, 01.63 Post-harvest activity, 10.91 Manufacture of prepared feeds for farm animals, 20.12 Manufacture of dyes and pigments, 20.14 Manufacture of other basic organic chemicals, 20.15 Production of fertilizers and nitrogen compounds, 20.20 Manufacture of pesticides and other agrochemical products, 20.30 Manufacture of paints, varnishes and similar products, printing ink and mastics, 20.41 Manufacture of soap and detergents, cleaning and polishing preparations, 20.52 Manufacture of adhesives, 20.59 Manufacture of other chemical products, 46.21 Wholesale of grain, unmanufactured tobacco, seeds and animal feeds, 46.22 Wholesale of flowers and plants, 46.39 Non-specialized wholesale of food, beverages and tobacco, 46.44 Wholesale of china and glassware and cleaning materials, 46.45 Wholesale of perfume and cosmetics, 46.49 Wholesale of other household goods, 46.65 Wholesale of office furniture, 46.66 Wholesale of other office machinery and equipment, 46.75 Wholesale of chemical products, 46.76 Wholesale of other intermediate products, 46.90 Non-specialized wholesale trade, 47.11 Retail sale in non-specialized stores with food, beverages or tobacco predominating, 52.10 Warehousing, 68.20 Leasing and operation of own or leased real estate.

We concentrate only on activities which have a direct relation to our study such as trade, retail, wholesale, warehousing etc. Volume of authorized capital (UAH): 7000000,00. To analyze financial performance of the company we will apply

horizontal and ratio analysis. Horizontal analysis is performed to display the difference between performance of particular indicators in the current year and the previous or a basic one. In our study we apply horizontal analysis to 2020 and 2019 years. Ratio analysis is based on the financial strengths and weaknesses of an enterprise. Ratios help to estimate a unique form of data which give us permission to compare them internally, with other indicator ratios, or externally, with the same ratio of other companies. In our study we will not compare it to other enterprises as we measure internal processes such as management strategy performance and not company's performance in general as a part of a market. To analyze financial performance of the company and calculate ratios, we need to analyze the data first. Here is a list of data to analyze and the following tables to represent it.

Fig. 2.1 “Dynamics of assets LLC “Company Legion” in 2019-2020, thousand UAH” is displayed with a figure comparing performance in 2020 and 2019. In this figure we admit assets, current assets and non-current assets. There is a weakening of economic potential, as indicated by a decrease in assets by 21.09%. That is, the company reduces the amount of property available.

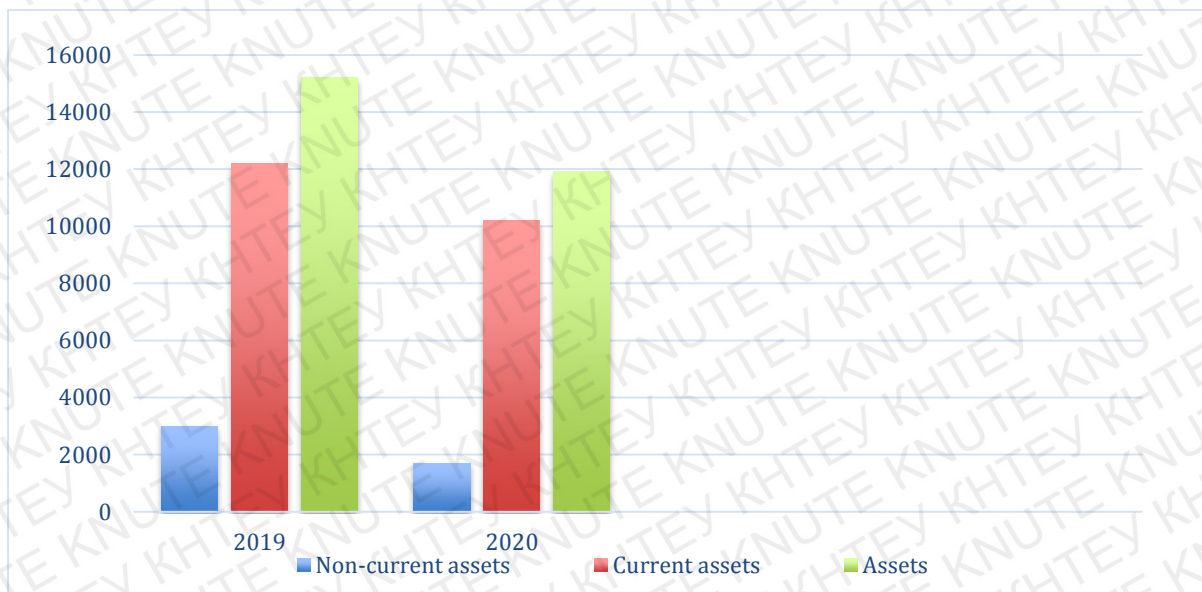


Fig. 2.2. Dynamics of assets LLC “Company Legion” in 2019-2020, thousand UAH
Note. Calculated by the author according to the reporting of LLC – “Company Legion”

The fact that revenue from the sale of goods and services increases with decreasing assets indicates an increase in the efficiency of managing the limited amount of available resources.

Table 2.1. displays fixed assets, non-current assets, stocks, accounts receivable for products, goods, works, services, other current receivables, money and their equivalents, other current assets, current assets and total assets. According to Table 2.1 the decrease in the balance sheet is due to a decrease in both current (-16.33%) and non-current assets (-41.39%).

Table 2.1

**Horizontal analysis of assets LLC “COMPANY LEGION” in 2019-2020,
thousand UAH**

Indicator	2019	2020	Abs. increment, +, -	Rel. increase, %
Fixed assets	2855.4	1673.6	-1181.8	-41.39
Non-current assets	2855.4	1673.6	-1181.8	-41.39
Stocks	5242.7	3413.1	-1829.6	-34.9
Accounts receivable for products, goods, works, services	684.7	2990.8	2306.1	336.8
Other current receivables	2569.2	1612.8	-956.4	-37.23
Money and their equivalents	471.8	1429.8	958	203.05
Other current assets	2623.4	736	-1887.4	-71.95
Current assets	12170.1	10182.5	-1987.6	-16.33
Assets	15025.5	11856.1	-3169.4	-21.09

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

There is an increase in the financial independence of the company, as evidenced by the dynamics of the coefficient of financial autonomy. At the end of 2020 the company is able to independently finance 55.29% of its assets. The value of current liquidity is below the regulatory limit (1.5), which may indicate the likelihood of loss of solvency in the near future

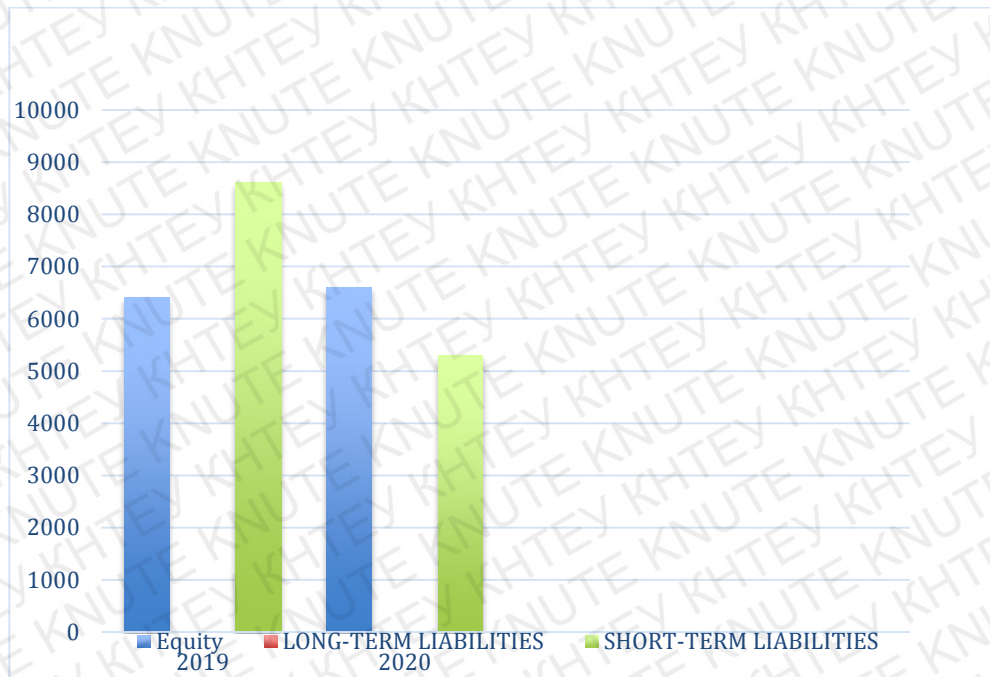


Fig. 2.3 Dynamics of sources of financing LLC “Company Legion” in 2019-2020, thousand UAH

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

The amount of available sources of financing to attract assets is reduced due to a decrease in short-term liabilities (-38.51%).

Table 2.2

Horizontal analysis of liabilities (sources of asset financing) LLC “COMPANY LEGION” in 2019-2020, thousand UAH

Indicator	2019	2020	Abs. increment, +, -	Rel. increase, %
Registered (share capital)	7000	7000	0	0
Equity	6404.5	6555.1	150.6	2.35
Long-term liabilities	0	0	0	-
Other current commitments	8265.8	4540.8	-3725	-45.07
Short-term liabilities	8621	5301	-3320	-38.51
Balance	15025.5	11856.1	-3169.4	-21.09

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

The reduction in total liabilities leads to increased independence from external suppliers of financial resources, although it hinders the fuller disclosure of the company's existing potential.

Table 2.3

Indicators of sustainability and solvency LLC “COMPANY LEGION” in 2019-2020, the share of the unit

Indicator	2019	2020	Abs. increment, +, -	Rel. increase, %
Financial autonomy	0.43	0.55	0.13	29.71
Current liquidity	0.33	0.32	-0.02	-4.68

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

According to figure 2.3 there is an increase in net income from sales of goods and services by 80.56%, which indicates high competitiveness in a dynamic environment. The amount of the company's net profit is positive (UAH 150.6 thousand in 2020), which may indicate a well-thought-out business model. Although for a better understanding of the ability of management to achieve its goals should consider profitability indicators.

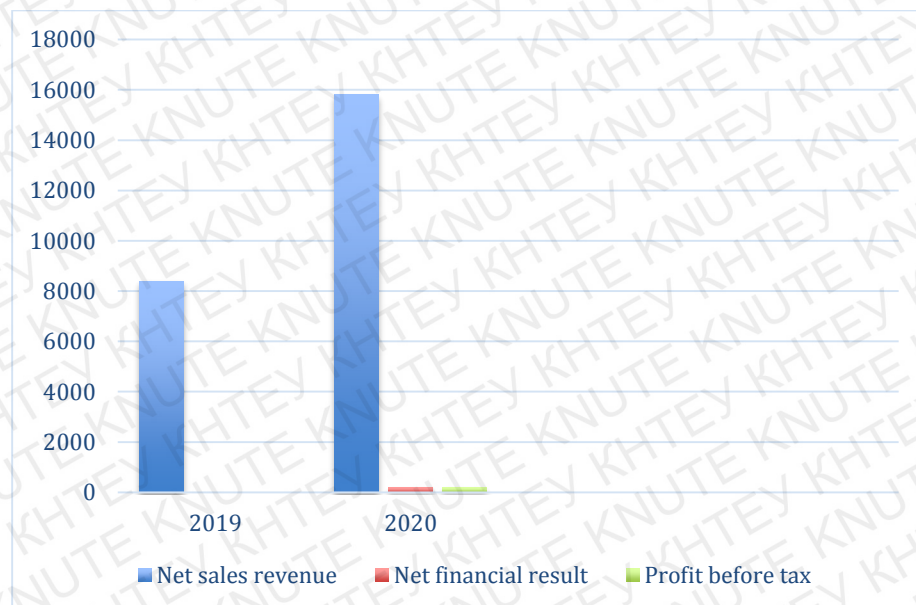


Fig. 2.4. Dynamics of financial results LLC “Company Legion” in 2019-2020, thousand UAH

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

Figure 2.5 helps us to determine the attractiveness of the company as an object of investment, it is advisable to compare the return on equity and the return on alternative areas of investment by owners. For simplicity of calculation, the data of the National Bank of Ukraine on the average return on deposits for 2020 are used. Thus, the excess return on the alternative instrument of return on equity indicates that there is a significant unearned profit that could be generated in the case of the sale of shares in the company and the direction of the released funds to the financial market.

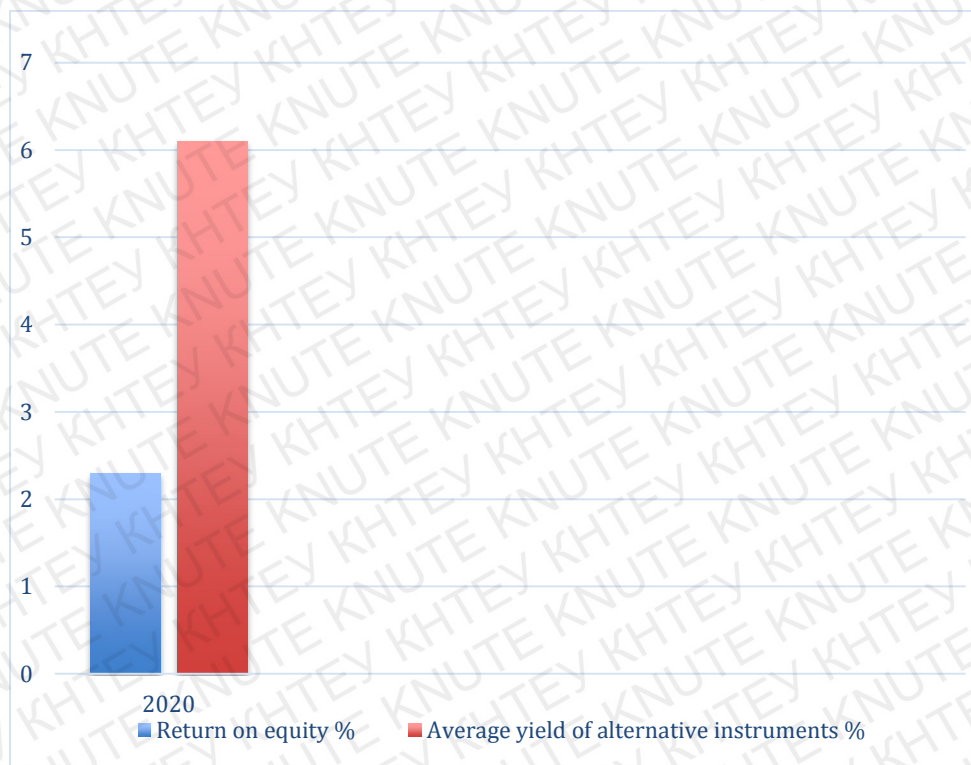


Fig. 2.5. Comparison of return on equity LLC “Company Legion” with the return on alternative instruments in 2020, %

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

Figure 2.5 helps us to determine the attractiveness of the company as an object of investment, it is advisable to compare the return on equity and the return on alternative areas of investment by owners. For simplicity of calculation, the data of the National Bank of Ukraine on the average return on deposits for 2020 are used. Thus, the excess return on the alternative instrument of return on equity indicates that there

is a significant unearned profit that could be generated in the case of the sale of shares in the company and the direction of the released funds to the financial market.

The gross profitability indicator shows a positive value in 2020. This indicates the need to further seek opportunities to increase sales of goods and services to maximize the final financial result [4].

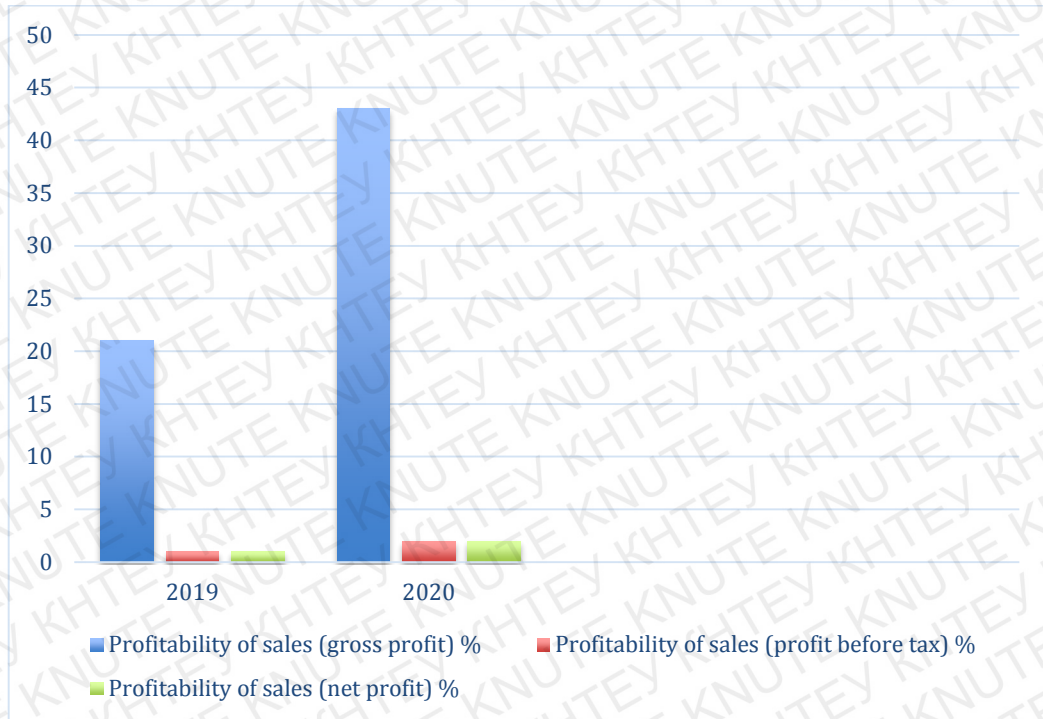


Fig. 2.6. Dynamics of profitability indicators of sales LLC “Company Legion” in 2019-2020,%

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

We proceeded this financial analysis to clarify the directions of evaluation which follow. These are only key indicators of financial performance of the company, which can help to analyze and evaluate management strategy. Besides, in listed tables and diagrams we presented information about performance of the enterprise during 2019-2020. It was a period of COVID-19 pandemic, severe restrictions, closed state borders, reduced supplying capacity, reduced demand on non-essential and non-food products etc. Therefore we can consider that period as a period of growing uncertainty.

Internal coordination is one of the key elements in management strategy of the company. It identifies relations and cooperation within the company and reaching

goals. However, failed tasks and financial goals can prove weaknesses in internal coordination.

Internal coordination in the company follows a vertical or top-to-bottom framework. It means that the coordination is held between different levels of organization including different departments and organizational structures. It is a clear way to deliver orders to employees and control their work. In such a system there is a strong hierarchy which helps to manage some not very important issues on low-level or medium-level stages without involving top-management. Hence, managers of the company should consider their area of responsibility and promptly react to all challenges, probable risks and take opportunities where it is possible. Although the vertical coordination system demands constant feedback and responses from bottom to top, managers have enough power to coordinate and control departments, other structural elements, projects and individuals relying on their own experience or management framework.

Risk and uncertainty assessment is a key element of our study and is considered to be the core element of management strategy assessment and evaluation. Risks and uncertainty always influence financial performance of the company, however it should be studied separately. We already mentioned that the study was held during COVID-19 pandemic which brings much uncertainty and many risks. Every trade company deals with uncertainty in its routine. Some uncertainty is not significant enough to severely affect company's performance, but some of them can drastically change the current state of the company. To analyze efficiency of management processes of the enterprise we need to understand which uncertainty and risks they faced lately. To begin with we should consider low-level uncertainty, represented by market value increase or decrease, relations with new clients, consumers' attitude to new products etc. Then we need to analyze high-level risks which always significantly affect a company's performance and require fast and meaningful changes of management strategy. In 2020 the situation with COVID-19 started getting worse. At the beginning of the year COVID-19 was spreading across China. It led to a decrease of operation capacity of factories, some factories were closed, therefore the number of port calls

were reduced as well. During that period the company faced a crisis in supplies, some of the shipments declined and the price of the other ones drastically increased. Managers in LLC “Company Legion” had to change suppliers and decide on a more effective way of shipping. Besides, they had to change their general approach to trade as their main customers were situated mostly in Europe, for example in Hungary. During COVID pandemic in 2020 Ukrainian and the EU authority limited cross-border relations, including shipping. Managers in the company had to adjust their strategy and expand their influence in the domestic market. One of the biggest challenge during COVID-19 pandemic is the fact that it is almost unpredictable and too rapid. There weren't many similar conditions in the past to make a comparison or use a guide. Current pandemic is unique and not studied enough yet. Moreover, no one knows when is the pick of the pandemic, each time it overtakes previous highs and remains a real menace for future escalation. Therefore, potential risks can be even higher than expected. Considering such state managers usually use similar scenarios from the past to develop probable outcomes strategy, however it becomes almost impossible to realize what is a real level of risks we face now. Pandemics of a such rate make a huge impact on all fields of life, including economics, society, politics etc [9].

Considering all information given in this part of study we are able to proceed SWOT analysis to systematize data and find opportunities for future growth.

The strengths of LLC «Company Legion» were displayed earlier in our study; we emphasize the uniqueness of the company's technology which are certificated and patented. Besides, we admit that the size of the company brings an opportunity to be flexible enough in the conditions of uncertainty.

The weaknesses are based on weak brand awareness, as it is not so famous as competitors' brands, including weak online presence. Moreover, the enterprise doesn't have any strong supply chain and it depends on many exterior factors, as most of the suppliers are situated in other countries, including China, which were hugely affected by COVID-19.

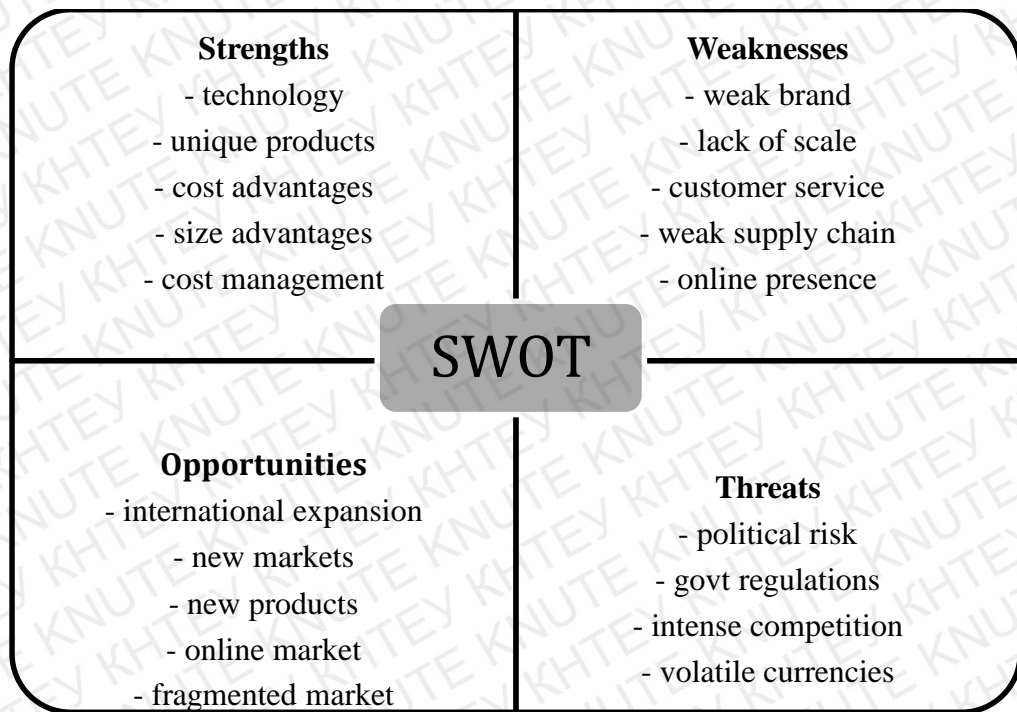


Fig. 2.7. SWOT analysis of LLC “Company Legion”

The opportunities of the company are based on potential of developing new products and appear in new markets, including international markets. Hence the company was engaged in international trade before COVID-19 pandemics, it still has potential for growth in this aspect.

The threats are common for all enterprises in Ukraine regardless the industry and the state of a company, except the threat of intense competition which is really tough in this particular industry. We have already mentioned that there are some huge enterprises in Ukraine providing the same or similar type of products.

Table 2.4

Market development strategy, Ansoff matrix of LLC “COMPANY LEGION”

Market Development	Current products
New products	<ol style="list-style-type: none"> 1. Expanding domestic market 2. Expanding international markets 3. New audience segmentation 4. Expanding online engagement

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

According to preceding SWOT analysis we chose market development strategy as a potentially appropriate strategy of improving enterprise's performance. In the table 2.4 we proposed several possible solutions, based on SWOT analysis, including expanding of domestic and international markets, new audience segmentation and improved online engagement. The matrix is based on competitive advantages of the company and its potential considering the current state of the enterprise and risks.

As we see in the financial report 2019 - 2020 company's performance remained growing. We must admit that those managerial decisions were right. Except for external and domestic trade regulation the company released a new product in 2020. They faced some kind of uncertainty as the product was partially innovative.

ARMA-12 is an impregnation for wood which provides fire protection, protection of wood and wooden structures from destruction under the influence of biological factors in difficult operating conditions. The innovative part of the product is the fact that it is not a ready-to-use product, it should be diluted in 1 to 9 proportion for biological protection and it should be used without diluting for fire protection [10].

Therefore, it's a quite progressive and innovative product as it is 2 in 1 impregnation with expanded volume of substance. All these features allowed the company to reduce the cost of a ready-to-use product. However, there was a risk of failure as this product is new to the regional domestic market. Company's managers made a decision to create a web-site with description of a featured product and provide a professional video with instructions of product's implication. Then, they had to prove retailers and distributors' product's quality and train stores' staff to apply this product. In such a way they increased selling potential as they knew that in most cases consumers buy such products with the help of stores' staff. Besides B2C trade the company made B2B agreements with several enterprises providing fire protection services.

LLC "Company Legion" changed its target segment of trade and expanded its influence in the domestic market, made several agreements with local companies and raised its selling capacity in B2C.

PART 3

DEVELOPMENT OF MANAGEMENT STRATEGY OF LLC “COMPANY LEGION” IN CONDITIONS OF UNCERTAINTY

3.1 Renewal the business model of the enterprise

According to conducted analysis and evaluation of the management strategy of LLC “Company Legion” we should admit that the company's management strategy is considered to be right as it matches with the goals of the enterprise. In comparison with the previous year (2019) the company improved. However, there are a few points to be improved since the potential of the company remains quite high and it shouldn't be underestimated. To begin with we need to take into consideration internal coordination in the company.

The enterprise applies a vertical coordination management strategy. It means that it takes much time to transmit the task from top-management to the end-employee who needs to complete the task. In relation to the lack of fast and sustainable coordination the enterprise's goals can be delayed or even postponed. As a result, it affects the financial performance of the company. However due to high financial performance of the company the coordination structure shouldn't be changed. The changes should only adjust the process, clarify tasks or just accelerate the accomplishment of the goals. One of the ways to improve the performance of the company, including internal coordination, is by applying a CRM system.

To improve financial performance, we need to consider each ratio at the list. To ameliorate the quick ratio the managers of the enterprise should pay the company's liabilities as soon as possible. We admitted in the previous chapters that the enterprise is able to pay its liabilities sooner. Besides, the debt-to-equity ratio showed that the quantity of total loans decreased in 2020. One of the ways to increase the quick ratio is to increase sales. Since the main distribution activity of the enterprise is B2B sales, perhaps improving B2C trade can make the performance even better.

Although as it have been mentioned before that the company should pay its debts sooner, there is one more option to decrease debt-to-equity ratio. Managers of the

enterprise should restructure the debts. Probably it will lower total liabilities and improve the debt-to-equity ratio in general. To improve the return-to-equity ratio the company should work on its B2C brand “ARMA” and its range of products. For instance, the range of products is limited by 3 items which are defined by the purpose of use. Taking into account specifications of the product we are able to release at least one more product of high value and rank. Since we know that “ARMA” products have better indicators of personal use than the products of competitors, we can slightly reduce their quality and position them slightly higher than rivals` products. Hence we bring more capacity for creating a new premium product which price will be definitely higher than the price of other products.

Table 3.1

Potential total cash flow after releasing new ARMA products

Indicator	Thousand UAH per year
Cash flow of a current segment of ARMA products	1105,1
Potential cash flow of a new segment of ARMA products	705
Annual investment in current products	240,3
Potential annual investment in new products	118,4
Potential total annual investment	358,7
Potential total cash flow of ARMA products	1820,1

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

Among other possible changes in the management strategy of the company we can admit development of the web-site and social media profiles. Perhaps, it can't increase sales through the internet as this product segment is rarely purchased on the internet.

As it have been mentioned before in our study most of the B2C purchases are made with the help of shop assistants. However, sometimes before visiting the shop people search for products on the internet and watch tutorials on social media. We can suggest the enterprise to expand its marketing management strategy to engage more potential consumers.

3.2 Justification of the impact of the proposed measures

The first of the proposed measures was an implication of the CRM system to internal coordination in the company. Such an approach can increase the speed of the task accomplishment; therefore, it prevents agreements from unexpected delays. In the conditions of uncertainty, it reduces probable risks. Besides, the CRM system helps to clarify tasks and requirements. Considering the model of management structure of the enterprise, tasks can be unclear till they reach the performer. The CRM system can display the task directly to a performer avoiding hierarchical obstacles. However, the performance of the task can still be controlled by responsible managers. In the end managers are able to assess the performance of a particular employee and decide on possible ways of its improvement.

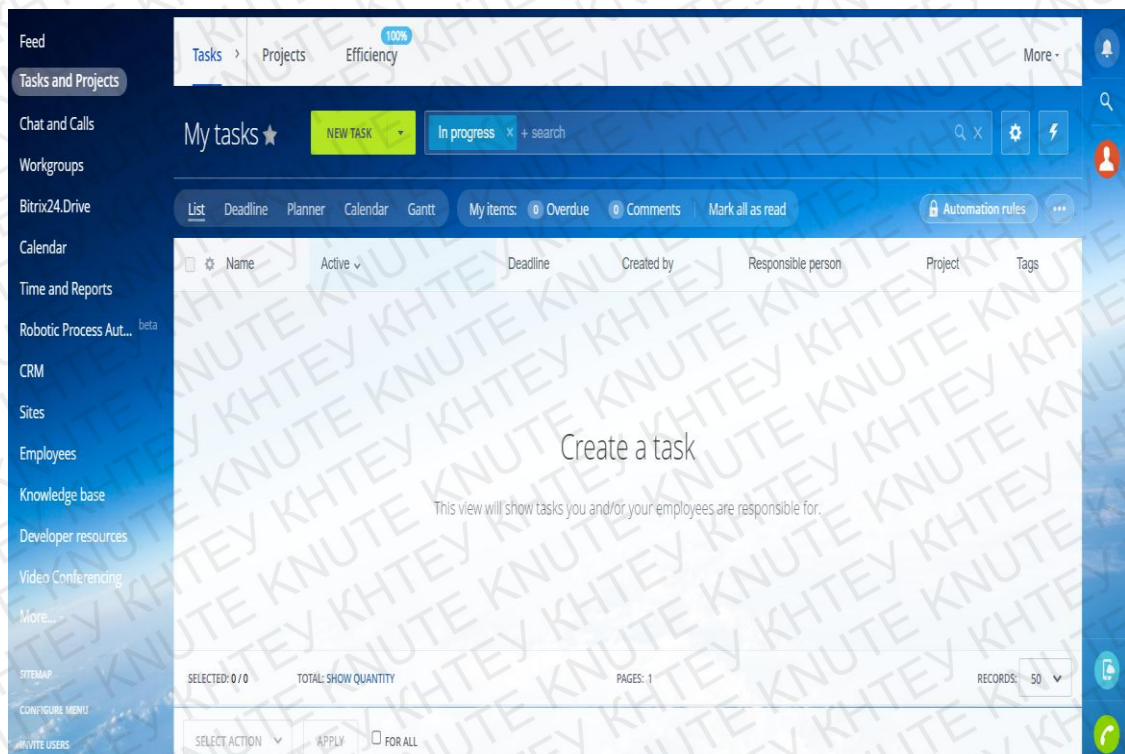


Fig 3.1 “Launching CRM system Bitrix”

Note. Formed on the basis of processing [5]

Improving financial performance ratio is connected with an increasing revenue of the company. Hence, the restructuring of debt and paying for most of the loans provide more opportunities for future development of the company. Besides, it can improve a company's independence as long as the difference between equity and debts

increases to the side of equity. It is clear that an improvement of financial ratios probably will increase the revenue of the enterprise.

The renewed web-site can be a vital feature to create for better brand awareness and increase trade capacity. As we mentioned before, online purchases are not the key for the enterprise according to the product segment, but it can be a place to get awareness of a company's products for both B2B and B2C trade, including “ARMA” products. To my mind, “ARMA” is able to be a new approach to development of the company over all. Expanding the range of products is possibly a risky case, therefore perhaps it should be divided into a separate project.

The proposed measures were partially applied to the enterprise's management. However, we are not able to trace complete impact of these measures as they are still in process of implementation. We should admit that all proposed measures are only recommendations to be considered by management of the enterprise.

The management of the company supported the implementation of CRM system to develop internal coordination and bring more functionality to individual. The management invested in training process to familiarize individuals with the updates. Besides, some of the technical devices were updated or replaced as well to gain better performance of the management process. The company invested in developing of a web-site to target new audiences and expend its engagement. Although the web-site is still being developed, the management decided to create accounts in trading platforms to reach more clients and new markets.

Financial performance of the enterprise in conditions of uncertainty is satisfactory and we can assume that deep changes in management of the company are not required. Since the period of uncertainty has not been studied enough and usually can't be identified in advance, any set of managerial decisions can be crucial for its future development. Hence, we concentrated on minor changes and sustainability of the enterprise in conditions of uncertainty. Besides, the management of the company decided to stick to control and supervision as one of the key of sustainable and more predictable performance of the company. The well-developed framework for internal

communication and supervising is an important part of any future managerial decisions concerning management strategy adjustments in conditions of ambiguity and high risk.

In the previous chapter of our study we explained importance of several measures connected with a development of a new product both for B2B and B2C market. The management of the enterprise expanded the range of “ARMA” products: ARMA 12, ARMA 12R, ARMA 13, ARMA 11 [10]. “ARMA 12” was developed as a paint concentrate 1:9 mostly for B2B market as it provides bigger amounts of ready-to-use product in the end. In such a way the enterprise remains a wholesale distributor and still sells products to related companies. However, “ARMA 12R” was developed as a ready-to-use paint to provide comfortable use for households without preparations. “ARMA 13” and “ARMA 11” were brought to the market to expand the range of products and to increase the level of profitability in the end. The products are used for different purposes and are irreplaceable within the range of company`s products. Moreover, it brings more flexibility to future product development as they can be adjusted separately without any crucial effect on other products of the same segment.

At the beginning of the management strategy evaluation we analyze financial performance of the company and important ratios listed in the previous chapter. The first indicator is the quick ratio.

Table 3.2

Quick ratio calculations LLC “COMPANY LEGION” in 2019-2020

Indicator	2019	2020
Current asset	12170.1	10182.5
Current liability	8621	5301
Inventory	5242.7	3413.1
Quick ratio	0.80	1.28

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

Quick ratio of 1 often proves satisfactory financial conditions of the company and its possibility to urgently pay all current liabilities.

Debt-to-Equity (D/E) Ratio is used to evaluate leverage of the company.

Table 3.3

Debt-to-Equity ratio calculations LLC “COMPANY LEGION” in 2019-2020

Indicator	2019	2020
Total shareholder equity	6404.5	6555.1
Total liability	8621	5301
Debt-to-Equity ratio	1.35	0.81

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

In this case we see that total liability of the company has a decreasing trend, but total shareholder equity remains growing. It proves that the enterprise is on the right way to reduce current debts and contribute more equity to business.

Return on equity ratio is an important indicator to decide on how effective the managing process is and how effective managers handle the money contributed by shareholders.

Table 3.4

**Return on equity ratio calculations LLC “COMPANY LEGION”
in 2019-2020**

Indicator	2019	2020
Net income	10965	18559.3
Total shareholder equity	6404.5	6555.1
Return on equity ratio	1.71	2.83

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

In this table we see that the return on equity ratio was almost doubled, even though total shareholder equity was slightly increased.

Profit margin is divided into 2 measures, including gross profit margin and net profit margin.

Table 3.5

**Gross Profit Margin calculations LLC “COMPANY LEGION”
in 2019-2020**

Indicator	2019	2020
Net sales	8695.3	15700
Cost of Goods Sold	6851.9	8943.1
Gross Profit Margin	0.21	0.43

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

Gross profit margin shows raw profitability of company`s products, goods and services provided to consumers. We must admit that the gross profit margin was doubled. It shows that the company concentrated on high-value products, goods and services, reducing their raw materials trade and distributing of other low-value products.

Table 3.6

**Net profit margin calculations LLC “COMPANY LEGION”
in 2019-2020**

Indicator	2019	2020
Net Income	10965	18559.3
Revenue	9.7	150.6
Net profit margin	0.0009	0.008

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

Net profit margin has increased since 2019, however it remains low due to the net income of the company. Perhaps, the company's management should review its margin strategy and concentrate more on high-value products to increase margin and net profit margin ratio in the end.

Table 3.7

Total results of ratio calculations LLC “COMPANY LEGION” in 2019-2020

Indicator	2019	2020
Quick ratio	0.80	1.28
Debt-to-Equity ratio	1.35	0.81
Return on equity ratio	1.71	2.83
Gross Profit Margin	0.21	0.43
Net profit margin	0.0009	0.008

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

According to this table there is no need to assess each value of following ratios as we see that all of the listed ratios have improved since 2019. It means that the management applied the right strategy under conditions of uncertainty and a variety of potential risks to reach financial goals and show excellent performance in comparison with the previous year [27].

In our study we analyzed potential payback period of ARMA products to decide on probable performance during next years. As we see in table 2.10 the enterprise will probably return its investments in 2 years. Hence, the third year of this project will bring significant profit to the company, about 1461,4 thousand UAH.

Table 3.8

Payback period calculations for ARMA products

Indicator	Amount
Initial investment, thousand UAH	2900,5
Annual investment, thousand UAH	358,7
Cash flow per year, thousand UAH	1820,1
Payback Period, years	2

Note. Calculated by the author according to the reporting of LLC – “Company Legion”

Although financial performance is the key element of management strategy evaluating there are a few more points to consider. Among them we can admit internal coordination and integration, risks and uncertainty assessment and human capital applying. However, the performance evaluation of these processes remains unmeasurable and partially subjective. In general, all these indicators have an impact on the final financial result, which is already analyzed and evaluated in our study.

In fact, the management strategy of the enterprise shouldn't be completely changed under uncertainty, it should be only adjusted to the new reality. The main purpose of the management is to remain active, to keep the sustainability of the enterprise regardless high potential risks and threats in conditions of uncertainty. Every single manager of the enterprise should understand the current state of the company and take responsibility for its future. Managers should consider that possible post-uncertainty outcomes can be even more dangerous than uncertainty itself.

CONCLUSIONS AND RECOMMENDATIONS

In our study we analyzed the current state of the trade enterprise and an impact of uncertainty on business processes. To begin with, we admitted that uncertainty crucially affects the performance of a trade enterprise. We identified several levels of uncertainty and possible scenarios to apply. Then we evaluated financial performance of the enterprise and made conclusions on effectiveness of proposed measures in conditions of uncertainty considering COVID-19 pandemic.

- Basic theoretical and methodological concepts of management in conditions of uncertainty of a trade enterprise were defined;
- The impact of uncertainty on management of the enterprise in general and on basis of LLC - «Company Legion» , Cherkasy was analyzed;
- Current management strategy of of LLC - «Company Legion» , Cherkasy was analyzed;
- Recommendations on improving management strategy in conditions of uncertainty for LLC - «Company Legion» ,Cherkasy were developed.

Analyzing current management strategy of the enterprise we admitted its high effectiveness despite some minor issues. The chosen strategy of managerial decisions performed well and brought better results in 2020 than in 2019. Quick and consolidated actions of the management allowed the enterprise to enforce its positions in the market despite of global crisis in the world and particularly in Ukraine. As we mentioned before, the management of the company is based on strict vertical hierarchy and sometimes project-based hierarchy which let the enterprise to consolidate efforts in conditions of uncertainty and bring more control to all business processes. Moreover, the decision on the direction of trade was vital for the sustainability of the enterprise, it brought less variables to scenarios of possible future as domestic trade is more reliable than international trade during the period of pandemic.

Among the other parts of management strategy, we can admit a launch of a new product, segmented by the type of consumer and its use. Although the research on this product hasn't been held yet, we can estimate its future potential for possible profit

growth of the company. Besides, we mentioned a framework which includes several dimensions of management in uncertainty to prevent unexpected losses. Control, internal coordination, innovation and deep analyses can be considered as major factors to help the enterprise remain active and profitable in crisis. Despite the fact of good performance in 2020 we proposed several measures to raise company`s sustainability, including debt repayment or restructuring of debts, expanding the range of products and consumer segments, better information covering and engagement through creating web-sites, social media profiles, presence in mass media and interaction, increasing the level of internal coordination and client service through the implication of CRM system.

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APPENDICES

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The work was performed under the guidance of Ph.D., Associate Professor
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MANAGEMENT OF THE TRADE ENTERPRISE IN THE CONDITIONS OF UNCERTAINTY

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The article covers theoretical information about the management system of a trade enterprise in conditions of uncertainty, the importance of management decisions, the role of the manager of the enterprise, approaches to risk assessment and making the right decisions. The article highlights the difference between potential risks and conditions of uncertainty in general, but also points to the commonality of concepts. The work contains theoretical information about approaches to the management of trade in uncertainty, describes the events in Ukraine in 2020 as a period of pandemic covid-19 and economic crisis.

Стаття охоплює теоретичні відомості про систему менеджменту підприємства торгівлі в умовах невизначеності, важливості прийняття управлінських рішень, ролі менеджера підприємства, підходи до оцінки ризиків та прийняття правильних рішень. В статті висвітлено факт різниці між потенційними ризиками та умовами невизначеності в цілому, проте вказано й на спільність понять. Робота містить теоретичні відомості про підходи до управління підприємством торгівлі в умовах невизначеності, описує події в Україні у 2020 році як період пандемії covid-19 та економічної кризи.

Problem statement. Management approaches in the conditions of uncertainty have been always important. However, at the beginning of 2020 they became essential for every single enterprise in the world. During the Covid-19 crisis companies faced up to risks and problems popped up with governmental restrictions and under direct influence of virus. There were many risks before, however today's crisis is one of the most unpredictable. A number of enterprises bankrupt in case of inability to get over the conditions of uncertainty. Though other enterprises multiplied their assets. Certainly, it depends on sphere, law of a certain country, investments, capital, budgets, safety etc. We should admit, there are as many economic factors as non-economical ones. However, as we mentioned before, there were always risks of any rate. Therefore, a role of management of trade enterprise in conditions of uncertainty can't be overrated.

During 2020 in Ukraine over 700 000 enterprises went out of business. To compare, in 2018 only 54 000 companies were closed permanently[9]. It proves that in many cases risk management performed not well. Certainly, that could be not the only reason, but definitely one of the most important.

The fundamentals of management in conditions of uncertainty were described by Knight Frank H., Marshall, Dawes, R. M., Edwards, W., Fischhoff, B., Lichtenstein, S., Slovic, P., Derby, S., Keeney, R. etc. The modern approaches to management in conditions of uncertainty were described by C Wang, Z Cheng, XG Yue, M McAleer, Stepaniuk, Fatkhudinov, Yukaeva etc.

Object of study. The management process of trade enterprise.

Subject of study. The management of trade enterprise in the conditions of uncertainty.

The purpose and objectives of the study. The purpose of the study is to develop theoretical and methodological principles of management of the trade enterprise in conditions of uncertainty.

Main material. Management process is always connected with decision-making, including management of the trade enterprise. However managerial decisions can be either successful or unsuccessful, especially under the conditions of uncertainty. Therefore, companies consistently attempt to minimize damage making decisions relevant to the goals. In such cases they need to take into account all risks and optimize the decision-making. Management can be defined as the process of managing and controlling the activities of an organization, regardless of its nature, type, structure and size. It is an act of creating and maintaining the coordination of human, financial, natural and technological resources necessary for the effective and efficient achievement of goals[9]. The most important element of any management process is decision-making or managerial decisions. However, there is no one definition of managerial decision, there are many interpretations of this notion:

1. The result of analysis, forecasting, optimization, economic distribution and selection of alternatives from many options achieving a specific goal of the management system (Fathurdinov) [4].

1. Creative act of the subject of management (individual or group), which determines the program of the team from the effective solving a pressing problem based on knowledge of the objective laws, the functioning of the managed system and information analysis about her condition (Yukaeva) [3].

2. Decisions concerning the operation of the firm, such as the choice of firm size, firm growth rates, and employee compensation (Campbell R. Harvey)[8].

According to the definitions given by scientists, we can conclude that the management decision is the result of the actions of the head, for example, taking into account all the pros and cons, all external and internal factors that may affect the end result. The activities of any business entity are fraught with risks. These risks are widespread in all areas of business; however, the trading business is one of the most vulnerable. Risks may be related to the personality of the manager, the economic activity of the enterprise and the lack of information about the state of the environment. The most significant of these possible risks is the lack of information. Managers often try to prevent any harm to the company. So they take into account all the information they can get. Otherwise, the company begins to address uncertainties. As we have already mentioned, this is usually due to the lack of any type of information. However, this does not always apply to managerial decisions of the manager or the personality of the manager. There are many unpredictable external factors that can make any business vulnerable to uncertainty. Therefore, when making decisions in conditions of uncertainty, it is necessary to identify, formalize and assess risks and their sources.

Under conditions of uncertainty, the management decision-making process is somewhat complicated by the impossibility of using the same methods of forecasting situations as in the case of obtaining sufficient information. In this case, in order to make optimal decisions and minimize the impact on uncertainty, quantitative and qualitative methods of choice among alternative [4]. Before making managerial decision related to predicting possible risks in conditions of uncertainty, managers apply one of these two approaches:

1. The decision maker can use the information available in it, own judgments and experience to identify their assumptions about the probabilities of certain opportunities of external conditions in which it will be his company, and to assess the outflow for each external condition the results on every available strategy. It essentially does conditions of uncertainty similar to the

Continuation of Appendix A

conditions risk, and the decision-making procedure discussed earlier for risk conditions is performed and in this case.

- If the degree of uncertainty is very high, then the decision maker provides preference not to make assumptions about the probabilities of different external conditions, or does not take into account the probabilities, or considers them as levels that practically the same. If applicable this approach, then to assess the expected strategies, there are four categories of solutions:

- Wald's decision criterion, which is called also maxi-min;
- Hurwitz's alpha criterion;
- Savage decision criterion, which is also called the criterion of rejection of the mini-max;
- Laplace decision criterion, which is also called the Bayes decision criterion[5].

We can admit that the major task to accomplish is to pick right criteria, approach and solution. Decision depends on how much information is in order of the manager, characteristics of managers board (conservative or progressive etc). However, major criteria is quantity and quality of information. The more quality information manager possesses the lower will be the risks and damage considerably.

In the conditions of uncertainty quantitative approaches can be applied only in cases when managers possess very accurate information/data and can apply it to study every possible consequence of their final decision.

Method of payment matrix can be applied to determine »right« solution among all quantitative solutions mentioned above. There are followed conditions to apply this method:

1. The presence of several alternative solutions problems.
2. The presence of several situations that can take place in the implementation of each alternative.
3. Ability to quantify the consequences implementation of alternatives [1].

It occurs that managers have to choose only one solution to apply, for example «to maximize income» or «to minimize damage», if it is impossible to find other alternatives.

The method of «decision tree» provides a graphic constructing of different actions that can be made to solve the existing problem. This method assumes that all the necessary information about the expected winnings for each alternative and probabilities for all situations were collected in advance. The method of «decision tree» is applied in situations where the results of one decision affects subsequent decisions, to make consistent decisions [1].

Having received the results of each solution, managers are able to assess risks of every decision, taking into account how possible solutions would affect the company. In addition to possible results, managers should consider the current state of the company. According to this information we define possible risks (Table 1) [2].

Table 1

Risk assessment

Region activities firms	Absolute stability	Normal stability	Unstable state	Critical state	Crisis state
Areas of risk	Risk-free region	Region minimal risk	Region elevated risk	Region critical risk	Region invalid risk
Maximum losses	Full absence losses	Clean profit	Calculated profit	Gross profit	Revenue from implementation and company property
Degree of risk	0	0-25	25-50	50-75	75-100

Note: [5]

Modern studies of approaches to management in conditions of uncertainty consider uncertainty as «the inevitable unpredictability of the future resulting from unpredictable factors expressed by classical probabilities» (2017, Spiegelhalter) or as «A situation where decision makers have limited knowledge to be able to accurately describe the results of future events» (2010, Carbonara and Caiazza) [6].

Despite the common ground between risk and uncertainty, researchers depict uncertainty as an unpredictable condition, while risks are often predictable and can be solved with rational decisions. Besides, uncertainty assessment is always based on subjective factors. Therefore, consequences of period of uncertainty often depend on the manager's identity and his ability to make decisions.

Conclusions. For effective management of the enterprise it is necessary, first of all, to approach carefully to risk assessment when choosing a management decision. Managers should consider the fact that conditions of uncertainty can't be treated as risks. The first step of any manager who deals with conditions of uncertainty is to divide it into possible risks. In such case, the manager would be able to control the situation and to find the right solution. However, the problem of uncertainty is subjectivity and it cannot always be appropriately matched with the right risk solution. Therefore, managers should simplify current problems and reduce it to accurate and exact indicators, which allow managers to develop a series of strategies according to every possible risk. Nevertheless, the lack of information in Ukraine makes decision-making more complicated or even impossible, especially in conditions of uncertainty. In 2020 the problem became evident, governmental prohibitions, pandemic, and economic crisis were a real threat to any company, but the major issue was the lack of exact information and large amounts of misinformation in the country.

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The work was performed under the scientific guidance of candidate of economic sciences, associate professor BIELIAIEVA N.S.