

## **CHAPTER 9**

### **WAYS OF COMPANIES' EFFICIENCY INCREASING IN THE CONTEXT OF ITS MARKET VALUE**

**Spiridonova K. O.**

#### **INTRODUCTION**

The main task of the companies at the present stage is to produce high quality, competitive goods and products that will be in demand among consumers. Thus, the final financial purpose of the organization is to obtain the highest possible level of profit through the sale of products (services, works). The performance of a firm is measured by a number of indicators, the main of which is profitability, which is defined as the ratio of profit to cost and allows to determine the economic efficiency of the firm. In the modern conditions of market relations development efficiency of enterprises' activity is connected with rational formation and distribution of financial resources with the purpose of maximization financial results that has positive influence on market value of firm. On the problem of market value of firm is examined by scientists and economists. Theoretical and practical aspects of market value is highlighted in scientific works of modern scientists such as A. Sheremet, R. Kostyrko, V. Koval'ov, M. Miller, A. Damadaran, M. Fedotova, A. Gryaznova. The purpose of the article is to research the essence of profit and profitability as economic categories, to determine their role in the company's financial activity.

#### **9.1. The essence of profit and profitability**

In modern literature the term "effectiveness" is very popular. In general effectiveness is the capability of producing a desired result or the ability to produce desired output. So it is determined as ratio of the result (effect) to expenses or resources.

General productivity is a much wider term than labor productivity and production profitability. The main feature of effectiveness can be necessity of achieving the aim of the company with minimum expenses of social work and labor.

There is a difference between economic effect and economic efficiency.

The economic effect is an indicator that characterizes the result of activity in absolute terms. Depending on the level of management, sectoral affiliation of the object and other parameters, indicators of gross national product, national income, gross production, profit, gross income from the sale of goods are used as effect indicators.

Cost-effectiveness reveals a link between operating costs and their outcome. Cost-effectiveness means the relationship between the economic effect and the costs or financial resources used to achieve it.

Depending on what is taken as an effect of the company's functioning – the volume of production (sale) of products or the financial result – there is a difference between the indicators of production efficiency and financial efficiency. In terms of the planned system of economy, priority was given to the indicators of production efficiency (labor productivity, fixed assets, material output). With the transition to a market economy, the interpretation of performance criteria and their content changes. Since the main purpose of business activity in terms of market relations is profit, it is the most important absolute criterion for the efficiency of the enterprise.

However, it is not possible to make a valid conclusion about the efficiency level. The size of the profit, as a rule, does not allow to estimate the scale of the company. Therefore, the degree of relative weight of this amount will not be the same for enterprises with a significant difference in turnover. Therefore, it is impossible to estimate the level of efficiency of the enterprise without the ratio of the resources being advanced or consumed by the profit indicator.

In the most general form, to evaluate the effectiveness of an enterprise is possible by the relative indicators of profitability or by the ratio of growth rates of the main indicators: total assets (TA), total operational sales (Top) and profit (TP)<sup>1</sup>.

$100\% < Ta < Top < Tp$ . The first inequality ( $100\% < Ta$ ) shows that the enterprise is increasing its economic potential and scale of activity. The second inequality ( $Ta < Top$ ) indicates that sales are growing faster than economic potential. Based on this, we can conclude that the use of financial resources at the enterprise is increasing.

---

<sup>1</sup> Палійчук Є.С. Ефективні методи підвищення прибутковості виробничого підприємства на сучасному етапі. *Ефективна економіка*. 2017. № 12. URL доступу: <http://www.economy.nayka.com.ua/?op=1&z=5964>

The third inequality ( $Top < Tp$ ) means that the profit of the enterprise increases faster than the volume of sales of products and total capital, which indicates an increase in the level of profitability of sales.

These ratios are commonly called the “a golden rule of enterprise economics.” If these proportions are observed, this indicates the sustainable development of the enterprise and strengthening its financial and economic condition.

The main tasks of the analysis of the effectiveness of the enterprise:

- determining the influence of objective and subjective factors on the effectiveness of the enterprise;
- study of the composition and structure of profit in dynamics;
- estimation of absolute and relative indicators of formation of profit from different types of activity;
- identification of factors that influence the amount of profit and quantitative measurement of their impact on the performance indicator;
- assessment of the efficiency of distribution of net profit of the enterprise;
- identifying reserves for increasing the amount of profit and profitability;
- evaluation of the enterprise's work on the use of opportunities to increase profits and profitability;
- development of measures for the use of identified reserves.

When analyzing the performance of an enterprise, it is necessary to consider the interests of users of analytical information, which can be divided into four groups:

The first group – investors and lenders – that is individuals and legal entities that provide money to a business organization on a long-term basis and receive their share in the form of interest on loans. The main absolute indicator that characterizes the performance of a business organization from the standpoint of this group of persons is profit before deduction of interest and taxes.

The second group is the state bodies that control and ensure the proper functioning of the enterprise. Each such organization handles certain social and economic tasks that are important to the state: for example, the creation of additional jobs. The economic interest of the state: getting some income through the tax system.

The third group is the business owners. From the standpoint of the moment, the end result is important to them, that is, the profit before

distribution, and from the long-term perspective, the amount of reinvested profit.

The fourth group includes workers of the enterprise and its counterparties (suppliers, creditors).

Production process is fulfilled by interaction of three crucial factors: staff (work force), labor and object of labor. Using means of production, staff produces useful goods or provides services. This means that, on the one hand there are labor costs, and on the other the results of production (activity) depending on scale of means of production, staff potential and level of its usage which is important for business management.

Nowadays effectiveness of a company's activity relates to effective business processes execution.

There is no single accepted definition of the term "business process". But it can be considered that it is some limited complex of actions characterized with such terms as "entrance", "process", "exit", "management", "supplier of the process", "client of the process".

Business process is a complex of operations, certain number of internal kinds of activity that start with one or more exits and finish with creation of a product, necessary for the client. At the same time the client must not always be external consumer. It can be organizational department or a certain employee<sup>2</sup>.

There are three types of business-processes:

- managing: business-processes which manage functioning of a system;
- operating: business-processes which provide the main business of a company and make the basic income stream;
- supporting: business processes which serve the basic business.

The purpose of every business process is to offer the product that satisfies the client by price, durability, service and quality. Product is considered as a result of business that has material and intangible value for the certain consumer.

Business processes management demands their constant improvement and optimization. There are two conceptual approaches to business processes improvement: gradual and cardinal approach. Gradual approach developed by Deming is fulfilled within existing organizational structure of the company and demands no or little

---

<sup>2</sup> Гетьман О.О., Шаповал В.М. Економіка підприємства : Навч. посіб. [2-ге вид.]. Київ : Центр уч. літератури, 2013.

investment. Cardinal approach developed by Michael Hammer and James Champy leads to crucial process changes and fundamental changes in organizational structure of the company.

In the bases of cost approach of business management is understanding that the main task for shareholders (owner of the capital) is increasing their financial welfare as a result of effective exploitation.

Main stages of cost management system:

- determination of starting point – assessment of the company's market value;
- determination of factors of the company's cost;
- development of the system of operational and strategic managerial decisions estimation;
- analysis of departments' contribution to the company's costs;
- periodical assessment.

Researches show that business market value is considerably connected with assessment of cash flow dynamics. This means that cost approach to competitiveness management admits concentration of management not on the current changes of the amount of profit, but on long-term cash flow. In this case the company constantly increasing business value will always be able to avoid capital outflow to competitors.

An enterprise is a structure-forming element of the modern market economy. The material basis of the enterprise is the capital as sum of money invested in means of production and objects of labor enable to bring income to its owner<sup>3</sup>. Only being in constant movement and recovery, capital can bring some income to its owner. In the process of capital circulation, it changes (increases or decreases). The difference between increased and initial capital is changing in company's cost. Based on economic theory one can claim that the main purpose of the company's activity is increasing its value or business capitalization. Company's cost can both increase and decrease as a result of inefficient of financial and economic activity during the reporting period.

Relevance of company's value management increases due to rival's struggle strengthening of organizations for investors' capital and shareholders. Besides, the necessity of the company's value management is dictated by modern demands to business organization nominated to the company's top-managers. In this context the special attention is paid

---

<sup>3</sup> Olsen E. Economic Value Added. / Perspectives. The Boston Consulting Group, Inc. 1996.

to the concept named VMB (Value Based Management) in the frame of the new managerial paradigm.

VBM permits financial managers to plan, monitor and manage the company's activity, providing increasing of shareholder's value. VBM-approach appeared in the process of financial management development.

Using financial indices for the assessment of the value of the company's capital has started since the twenties of the 20th century. At this period Dupont model was successfully used which is now used for assessment of the company's capital value<sup>4</sup>.

In the 70-80<sup>th</sup> years of the twentieth century the following financial indices became widely used: Earnings per share (EPS); Return on equity (ROE); Return on assets (ROA); Return on net assets (RONA) and cash flow (CF).

EPS is calculated as a company's profit divided by the outstanding shares of its common stock. ROE is a measure of financial performance calculated by dividing net income by shareholders' equity. ROA is an indicator of how profitable a company according to its total assets. ROA gives a manager, an investor, or an analyst an idea as to how efficient a company's management is at using its assets to generate earnings.

RONA is a measure of financial performance calculated as net profit divided by the sum of fixed assets and net working capital.

And only at the beginning of the 90<sup>th</sup> years VBM-approach was used including the following main indices of the company's value assessment: Economic Value Added (EVA); Market Value Added (MVA); Shareholder Value Added (SVA); Credit valuation adjustment (CVA); Cash-flow return on investment (CFROI).

EVA is a measure of a company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on a cash basis<sup>5</sup>. MVA is a calculation that shows the difference between the market value of a company and the capital contributed by all investors, both bondholders and shareholders. In other words, it is the sum of all capital claims held against the company plus the market value of debt and equity.

SVA is a performance metric that results from subtracting a corporation's cost of capital from its net operating profit after tax. CVA is the difference between the risk-free portfolio value and the

---

<sup>4</sup> Руда Р.В. Аналіз ефективної діяльності підприємства: необхідність та методика. *Вісник Бердянського університету менеджменту і бізнесу*. 2012. № 4 (20). С. 55–62.

<sup>5</sup> Olsen E. Economic Value Added. // Perspectives. The Boston Consulting Group, Inc. 1996.

true portfolio value that takes into account the possibility of a counterparty's default. CFROI is a valuation metric that acts as a proxy for a company's economic return.

Alternative indices of the company's activity efficiency are those that consider investment capital value (EVA, SVA, CFROI, CVA, MVA, etc.). the most frequently used among them are Economic Value Added (EVA) and Cash Value Added (CVA).

In the core of VBM-approach is management based on integrational financial index – company's value. VBM-approach is based on combination of traditional Dupont models and discounted cash flow (DFC). The methods mostly differ with the approach to expenses calculation, the result received in absolute or per centage value. The idea of Dupont's presented of the resulted financial index, for instance Return on assets (ROA) as a tree of interconnected parameters being managed and controlled is taken that determine cash flow<sup>6</sup>.

Companies create value for their shareholders if the sum of money for new investment to generate will increase the volume of the investment itself<sup>7</sup>.

This is concerned by theories of capitalization of income method of valuation, discounted cash flows model – DFC model, residual income. Based on discounted cash flows model (DFC model), the value created by the company, is the difference between present value its future cash flows and capital invested. The main problem of using such indices of the company's effectiveness as ROA, ROE, RONA, EPS is that they firstly do not consider capital value as a source of the company's financing and secondly, they are indices that demonstrate the company's short-term result.

The strategy of enterprise's development in modern conditions should be based on the requirements and capabilities of the capital management system and implemented through exercising of certain functions (financial, production, reproduction, cumulative, investment and value) and based on certain principles.

In the financial crisis conditions, every managerial decision must be made in terms of its impact on the value of the enterprise. Value-added methods used to manage the companies' value within the concept of

---

<sup>6</sup> Кучерява А.С. Прибутковість підприємства та шляхи її підвищення. *Проблеми підвищення ефективності інфраструктури*. 2015. № 40. С. 38–44.

<sup>7</sup> Аналіз прибутковості діяльності сучасного підприємства. *Культура народів Причорномор'я*. 2012. № 225. С. 79–83.

value-based management (VBM approach) consider payment of both borrowed and equity capital, the state of the external environment. They are as well focused on the dynamics and forecasting of the company's value, which enables to resolve the conflict of interests between the shareholders and managers and evaluate the efficiency of the company's capital usage.

The problem of increasing the production efficiency is to provide the maximum possible result for each unit of labor, material, financial and other resources spent. Thus, the criteria of the production effectiveness in macroeconomic scale is increasing of public labor productiveness. The quantitative expression of this criterion is reflected through the system of production efficiency indicators based on the following groups of indicators:

1) general indices of production economic efficiency (satisfaction level of the market needs, production of products per unit of resources cost, costs per unit of commodity output, profit per unit of total costs, production profitability, national economic effect from the use of a unit of production);

2) efficiency indicators of live labor usage (labor input of the product unit, relative release of workers, growth rates of labor productivity, share of product growth due to labor productivity growth, labor time efficiency ratio, saving of wage fund, production on 1 UAH of wage fund);

3) indicators of the fixed assets efficiency usage (fixed assets return, capital intensity of products, profitability of fixed assets, asset return of the active part of fixed assets);

4) indicators of material resources usage efficiency (material consumption of products, material output, coefficient of usage of the most important types of raw materials and materials, fuel and energy consumption per 1 UAH of net production, saving of material costs, coefficient of extraction of useful components from raw materials);

5) indicators of financial resources usage efficiency (ratio of turnover of working capital, duration of one turnover of normalized working capital, relative release of working capital, specific investment, capital investment per unit of facilities, return on investment, payback period of investments);

6) indicators of the product quality (the economic effect of improving the products quality, the share of products that meets the best world and domestic samples, etc.).



## 9.2. The main ways of increasing the company's effectiveness

Reserves for increasing the production economic efficiency mean unused opportunities to increase output per unit of aggregate costs due to a more rational use of all types of the company's resources.

The main factors of improving production efficiency are improving its technical level, improving management, organization of production and labor, changing the volume and structure of production, improving the quality of natural resources and others.

Economic effectiveness of the company's activity relates to its social effectiveness, because the results of the company's performance are the basis for solving certain social problems.

Social effectiveness should be considered both at the level of each company (local e effectiveness) and at the national or municipal levels. Determining the level of social effectiveness should include both quantifiable and non-quantifiable measures<sup>8</sup>.

In general, all the measures of increasing companies' efficiency can be combined in three areas:

- 1) costs and resources management;
- 2) development and improvement of production and other activities;
- 3) improvement of the company's management system and all its activities<sup>9</sup>.

The essence of the problem of increasing the production (activity) efficiency is to achieve the maximum possible increase in production (income, profit) for each unit of resources (costs). On this basis, the only macroeconomic criterion of the production (activity) efficiency is productivity of social (live and materialized) labor increasing.

Quantitative determination and contents of criterion are reflected in the certain indices of the company's production and other activity effectiveness.

Forming the system of effectiveness indicators for business entities, it is necessary to adhere to certain principles, among them are:

- ensuring the organic interrelation between the criteria and the system of specific performance indicators;
- displaying the efficiency of all types of resources usage;

---

<sup>8</sup> Черниш С.С. Організаційно-методичні аспекти аналізу рентабельності. *Інноваційна економіка*. 2013. № 6. С. 305–309.

<sup>9</sup> Терещенко О.О., Стецько М.В. Управління вартістю підприємства в системі фінансового менеджменту. *Фінанси України*. 2007. № 3. С. 91–99.

– the ability to apply efficiency indicators to the management of different units of production at the enterprise (activity in the organization);  
 – performance of a stimulating function by the leading indicators in the process of using existing reserves of production (activity) growth efficiency<sup>10</sup>.

The main result of the company's activity is determined by several indicators, which are divided into absolute and relative. The absolute indicators include the profit of the enterprise, and relative – the company's profitability. Table 1 shows formation of the net profit (loss) of Ukrainian construction companies for the period of 2014-2018<sup>11</sup>.

Table 1

**Formation of net profit (loss)  
of Ukrainian construction companies, million UAH**

Indices	2014	2015	2016	2017	2018
Net income of sales	149823,4	141716,8	169104,4	222483,3	301905,0
Other operational incomes	9602,2	15021,3	13863,0	16419,7	14672,4
Other incomes	19666,9	20458,7	16291,0	12453,7	21124,4
Operational costs	150668,1	169240,2	183301,8	230712,1	306166,4
Other costs	55713,0	33030,8	25299,6	24180,4	25101,5
Cost of sales	113253,7	126832,3	148819,6	197652,3	268841,8
Net profit (loss)	-27948,8	-25861,9	-10553,0	-5014,3	4414,1

Net income of construction products sales has been increased since 2015. Construction companies had a loss during 2014-2017. However, the loss was being reduced and in the year 2018 Ukrainian construction companies received net profit of UAH 4414.1 million. As a result, the level of profitability of operating activities became positive only in 2017 which is shown in table 2<sup>12</sup>.

<sup>10</sup> Горлачук В.В., Яненко І.Г. Економіка підприємства. Навчальний посібник. Миколаїв : Вид-во ЧДУ ім. Петра Могили, 2010. 344 с.

<sup>11</sup> Офіційний сайт Державного комітету статистики України. Оперативна статистична інформація. URL: <http://www.ukrstat.gov.ua/>

<sup>12</sup> Офіційний сайт Державного комітету статистики України. Оперативна статистична інформація. URL: <http://www.ukrstat.gov.ua/>

Table 2

**Profitability of Ukrainian construction companies'  
operational activity**

Years	Level of profitability (unprofitability), %
2008	-2,7
2009	-0,9
2010	-1,5
2011	0,2
2012	-0,1
2013	0,0
2014	5,8
2015	-7,6
2016	-0,4
2017	1,6
2018	1,3
2019 (January- June)	2,2

Profitability level of all the business entities depends on their profit, commercial product, production expenses, fixed assets and working capital. Important factors providing increasing of profit and profitability are increasing of labor productivity, saving of material resources, increasing the returns on assets and level of technical progress, in particular: mechanization and automatization of labor-consuming technical processes, improvement of production organization, etc.

Consideration of these factors will contribute increasing of its activity efficiency<sup>13</sup>.

The process of measuring the expected or achieved level of the company's activity is methodologically linked to the determination of the appropriate criterion and the formation of an appropriate system of indicators.

<sup>13</sup> Гетьман О.О. Економіка підприємства : Навч. посіб. [2-ге вид.]. Київ : Центр уч. літератури, 2013. 488 с.

### **9.3. The main internal and external factors of increasing the company's activity**

Possible directions of realization of internal and external factors of the company's efficiency increasing are different in terms of influence, degree of use and control. Therefore, detailed information about the scale, forms of control and the most significant internal and external factors of efficiency on different levels of staff management is important for managers and certain specialists. Businesses must constantly monitor the process of internal factors usage through development and consistent implementation of their own performance improvement program and take into account the impact of external factors.

It is necessary to specify the directions of action and using the main internal and external factors to improve the efficiency of business entities, among which are the following:

1) Technology. Technological innovations, especially modern forms of automation and information technology, make the most significant influence on the level and dynamics of production efficiency (provision of services). They cause significant changes in the technical level and productivity of technological equipment, etc.

2) Equipment. Equipment has the leading role in the program of effectiveness increasing primarily for the production and other business entities' activities. The performance of the operating equipment depends not only on its technical level, but also on the proper organization of its maintenance, optimal terms of operation, changeability of work, loading in time, etc.;

3) Material resources. Materials and energy have a positive effect on the level of activity efficiency, if the problems of resource saving, reduction of material consumption and energy intensity of products (services) are solved. In this case the management of inventory of material resources and sources of supply is rationalized;

4) Finished goods (products). The products themselves, their quality and design are also important factors in the effectiveness of business entities. The level of the latter must correlate with the useful value, that is, the price that the buyer is ready to pay for a product of appropriate quality. However, in order to achieve high level of effectiveness it is not enough to provide useful goods companies should provide on the market in the necessary place, time and competitive price. Thus, the company should avoid any organizational or economic obstacles between the production and some stages of marketing research;

5) Employees. The main source and determinant factor of efficiency growth are employees – directors, managers, specialists, workers. Business qualities of employees, increase productivity of their work that in many respects are caused by the effective motivational mechanism, maintenance of the company's favorable microclimate;

6) Organization and systems. Unity of the staff, rational delegation of responsibility, effective management characterize the proper organization of the company's activity, which provides necessary specialization and coordination of management processes, and, consequently, a higher level of efficiency (productivity) of any complex production and economic system that should be flexible and change according to the new tasks of market condition;

7) Methods of work. With more labor-intensive processes, more sophisticated methods of work ensure the company's activity efficiency. Constant improvement of the working methods involves systematic analysis of the working places and their certification, increasing qualification of the staff, generalization and using of positive experience accumulated at other enterprises;

8) Management style. Management style combines professional competence, business ethics of relationships among people and influences all directions of the company's activity. Therefore, the proper management style as an important element of modern management is a crucial factor of each company's and structure's effectiveness increasing;

9) State economic and social policy. State economic and social policy significantly influences the efficiency of public production. Its main elements are: practical activity of power structures; various types of legislation; financial instruments; economic rules and regulations (regulation of income and wages, price control, licensing of certain activities); market, industrial and social infrastructure; macroeconomic structural changes; privatization programs of state-owned enterprises; commercializing of organizational structures of nonproductive sphere;

10) Institutional mechanisms. In order to continuously improve the effectiveness of all economic entities' activity, the state must create appropriate organizational preconditions providing constant functioning at the national, regional or sectoral levels of special institutional mechanisms: research organizations, training centers, institutes, associations, etc. Their activity should be concentrated on solving key problems of increasing of different production and economic systems'

efficiency and the country's economy in general; practical realization of strategy and tactics of national economy development at all management levels.

11) Infrastructure. An important condition for increasing the company's activity efficiency is the sufficient level of development of various institutions of market and industrial infrastructure network. Currently, all business entities use the services of innovation funds and commercial banks, exchanges (commodity, stock, labor) and other market infrastructure institutes. The proper development of production infrastructure (communication, specialized informational systems, transport, trade, etc.) has significant influence on the company's activity efficiency. Wide chain of social infrastructure establishments plays the crucial role in the process of effective development of all economy's structural elements;

12) Structural changes in society. Social change also affects performance at different levels of management. The most important are the structural changes of economic and social nature<sup>14</sup>. Main occur in such spheres: technology, scientific research, technical level of fixed assets, scale of activity and production, employment models in different production and nonproduction spheres; educational, qualification level of staff.

Typically, two approaches to evaluate the performance of an enterprise – monetary and resource are used. In a monetary approach, results and expenses are determined by cash inflows and outflows. According to the resource approach, the results are characterized by the volume of products produced, and the costs by the volume of resources consumed of various kinds<sup>15</sup>. Despite the fact that expenses and results are estimated in money, they are considered to be got when the goods are produces, and the expenses are spent in the moment of consumption of the resource. The main difference between cash and resource approach is in different approaches to expenses and results and the moment of time.

In the condition of the resource approach expenses of any recourse are considered at the moment of their spending, and the results, for instance, produced goods at the moment of production. In the condition of monetary approach expenses of any resources are considered at the moment of payment. Goods production will influence the company's

---

<sup>14</sup> Мельник Л.Г., Корінцева О.І. Економіка підприємства: Конспект лекцій : Навч. посіб. Суми : ВТД «Університетська книга», 2014. 412 с.

<sup>15</sup> Гринчуцький В.І. Економіка підприємства. Навчальний посібник. Київ : ЦУЛ, 2019. 304 с.

financial state when the entrepreneur will get money for the goods loaded. Therefore, the monetary approach demands considerable attention to the sales of products organization. At the same time, it is important to consider in difference in time between the goods being received and the goods being paid<sup>16</sup>

It should also be noted that the achievement of a certain level of success in the company's functioning is inextricably linked to the acquisition of competitiveness by the enterprise.

Financial results of Ukrainian construction companies before taxation for the period of 2009-2019 are shown in table 3<sup>17</sup>.

Table 3

**Financial results before taxation  
of Ukrainian construction companies**

Years	Financial result before taxation, million UAH	Companies that received profit		Companies that received loss	
		% to the total number of companies	Financial result, million UAH	% to the total number of companies	Financial result, million UAH
2009	-3458,3	57,0	5433,2	43,0	8891,5
2010	-4418,2	55,3	4905,1	44,7	9323,3
2011	-3845,8	60,5	5373,0	39,5	9218,8
2012	-71,1	60,5	9139,1	39,5	9210,2
2013	-5126,6	62,3	5968,0	37,7	11094,6
2014	-27288,4	62,7	6295,7	37,3	33584,1
2015	-25074,1	71,1	5648,1	28,9	30722,2
2016	-9342,9	70,8	8446,6	29,2	17789,5
2017	-3535,8	71,5	10300,0	28,5	13835,8
2018	6433,9	72,8	15411,8	27,2	8977,9
2019	1340,8	75,5	2408,4	24,5	1067,6

The share of profitable construction enterprises in Ukraine increases during 2011-2019, and in 2019 is 75.5%, comparing to the year 2009 when their share made 57%.

<sup>16</sup> Іванілов О. Економіка підприємства. Київ : ЦУЛ, 2019. 728 с.

<sup>17</sup> Офіційний сайт Державного комітету статистики України. Оперативна статистична інформація. URL: <http://www.ukrstat.gov.ua/>

Competitive market environment requires continuous improvement from the enterprise. In order to be competitive, an enterprise must have competitive advantages. They are conditions that allow a company to produce a good or service of equal value at a lower price or in a more desirable fashion. These conditions allow the productive entity to generate more sales or superior margins compared to its market rivals.

The main ways to obtain competitive advantages are following<sup>18</sup>:

- to strengthen competitiveness by taking measures to improve the activity and increase its efficiency;
- to weaken the company's competitors;
- to change the market environment.

Since the implementation of the last two areas requires considerable effort and it is highly dependable on the factors of the external environment, the main means of obtaining competitive advantage is to improve the efficiency of their own activities<sup>19</sup>.

## CONCLUSION

Production (activity) efficiency is a complex term showing the final results of resource usage during the certain period of time. its main feature can be necessity of achieving the purpose of production activity with minimum expenses of public labor or time.

The problem of the company's activity and production efficiency increasing in general tends to provide the maximum possible result per each unit of labor, material and financial resources used. The main factors of the company's efficiency increasing are increasing its technical level, organizational improvement, organization of production and labor, increasing quality of resources, etc. Only effective usage of all the system of factors can provide sufficient rates of production effectiveness growth.

It is also necessary to consider both internal and external factors.

In order to provide competitiveness in the long-term period the company's activity must be effective as well as efficient which is equally important.

---

<sup>18</sup> Цьвок Д.Р., Яворська Н.П. Формування конкурентних переваг підприємства. *Проблеми системного підходу в економіці*. 2017. Випуск № 5(61). С. 141–147.

<sup>19</sup> Новицька С.С., Яцкевич І.В. Визначення необхідності ефективного оцінювання конкурентних переваг підприємства. *Розвиток методів управління та господарювання на транспорті*. 2014. № 1 (46). С. 98–109.



## SUMMARY

The article is devoted to analysing the main terms of the company's activity effectiveness as well as groups of indices of activity's economic effectiveness. The main ways of increasing of the company's activity effectiveness are considered. The economic role and importance of income and profitability to assess the efficiency of enterprises is proved. It is established that the profit is the goal, the result of a stimulus and a factor of economic security of the enterprise. Necessary conditions for effective management of profit are discovered. The conditions necessary for effective management and improving the process of the company's profit management are determined. Based on the analysis the main ways of increasing the company's effectiveness were developed. The role of value in the company's development in the modern market conditions was determined. Some approaches to the company's value management were analysed.

Analysis of the main indices of Ukrainian construction companies over the last periods of time was given, among them: net income, costs of sales, other operational incomes and expenses, net profit, level of operational profitability. Positive changes in efficiency of their activity are determined.

## REFERENCES:

1. Аналіз прибутковості діяльності сучасного підприємства. *Культура народів Причорномор'я*. 2012. № 225. С. 79–83.
2. Гетьман О.О. Економіка підприємства : Навч. посіб. [2-ге вид.]. Київ : Центр уч. літератури, 2013. 488 с.
3. Горлачук В.В., Яненко І.Г. Економіка підприємства. Навчальний посібник. Миколаїв : Вид-во ЧДУ ім. Петра Могили, 2010. 344 с.
4. Гринчуцький В.І. Економіка підприємства. Навчальний посібник. Київ : ЦУЛ, 2019. 304 с.
5. Іванілов О. Економіка підприємства. Київ : ЦУЛ, 2019. 728 с.
6. Кучерява А.С. Прибутковість підприємства та шляхи її підвищення. *Проблеми підвищення ефективності інфраструктури*. 2015. № 40. С. 38–44.
7. Мельник Л.Г., Корінцева О.І. Економіка підприємства: Конспект лекцій : Навч. посіб. Суми : ВТД «Університетська книга», 2014. 412 с.

8. Новицька С.С., Яцкевич І.В. Визначення необхідності ефективного оцінювання конкурентних переваг підприємства. *Розвиток методів управління та господарювання на транспорті*. 2014. № 1 (46). С. 98–109.

9. Olsen E. Economic Value Added. // Perspectives. The Boston Consulting Group, Inc. 1996р.

10. Офіційний сайт Державного комітету статистики України. Оперативна статистична інформація. URL: <http://www.ukrstat.gov.ua/>

11. Палійчук Є.С. Ефективні методи підвищення прибутковості виробничого підприємства на сучасному етапі. *Ефективна економіка*. № 12. 2017. URL: <http://www.economy.nayka.com.ua/?op=1&z=5964>

12. Руда Р.В. Аналіз ефективної діяльності підприємства: необхідність та методика. *Вісник Бердянського університету менеджменту і бізнесу*. 2012. № 4 (20). С. 55–62.

13. Терещенко О.О., Стецько М.В. Управління вартістю підприємства в системі фінансового менеджменту. *Фінанси України*. 2007р. № 3. С. 91–99.

14. Цьвок Д.Р., Яворська Н.П. Формування конкурентних переваг підприємства. *Проблеми системного підходу в економіці*. 2017. Випуск № 5(61). С. 141–147.

15. Черниш С.С. Організаційно-методичні аспекти аналізу рентабельності. *Інноваційна економіка*. 2013. № 6. С. 305–309.

**Information about the author:**

**Spiridonova K. O.**

Candidate of Economic Sciences,  
Associate Professor at Department of Economics  
and Entrepreneurship,  
Prydniprovskaya State Academy of Civil Engineering  
and Architecture, Ukraine