INDUSTRIAL ENTERPRISE AND INCREASING ITS POTENTIAL

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Abstract: *The report is an attempt to classify different factors and their impact on the competitive potential of the company. An attempt to find a link between competitive potential, realization of investment projects and financial potential. Significant impact on the growth of competitive potential has financial potential. In the article examines the theory of the life cycle of industrial enterprises and the possibilities for its use to solve the problems at any time. The report examines the management issues of the innovation potential of industrial enterprise. The main components of the innovation potential as an economic category are investigated and recommendations to evaluate innovation potential are proposed.*

Keywords: ECONOMIC POTENTIAL, COMPETITIVE POTENTIAL, STRATEGY, FINANCIAL POTENTIAL, INDUSTRIAL ENTERPRISES, LIFE CYCLE.

1. Introduction

The main source for making a profit in a competitive environment in an enterprise is the production and marketing of products and services to domestic and foreign market, in the core of which lies the principle of limited resources and their effective use. The enterprise is alive and complex organism in a state of continuous development, which passes through different phases and problems. While for humans time is a decisive factor, for the enterprise it is not. Proof of this is the existence of companies with centuries of history and those that drop out from the legal world. The owner of the enterprise should be aware of at what stage of the development the enterprise is, with the issues, risks and decisions at every stage of the life cycle of the enterprise. Nowadays the formation and development of innovative potential is an important factor for the development of the industrial enterprise. It is associated with the use of results from research and development to create a fundamentally new technology for deployment in the production and the creation of fundamentally new production and its implementation in the market. "In the market economy, the company's success depends more and more on the skills to search and and implement new ideas, to cultivate innovative spirit and entrepreneurship. So the modern state, science and technology and innovation policy is aimed at promoting innovation activity and business innovations".[4]

SUMMARY

The opinion of famous scientists is, "... that substantial qualitative and quantitative growth of the economy operator is only possible on the basis of finding new and very effective combinations and use of the whole variety of resources." [6] There are three different factors, ensuring the growth of the business competitiveness: internal, external and temporary.

The following can be relted to the internal factors: presence of a modern system of distribution of production, constantly conducting research studies that are designed to improve production and satisfying user requirements for range, quality and quantity of production, availability of high qualified personnel, and availability of quality organizational structure. "At the same time the results of the wrong choice and building the organizational structure of management as a rule, is left with unbalanced interests and the absence of effective mechanisms for interaction of the internal elements of the economy eneterprise between themselves and the environment" [7] For this purpose, the level of competitiveness of the following internal factors is studied: sales volume, complex work with clients, establishing and maintaining the necessary database for future potential and current customers, increase of the interchange of information, quality transition to individual work with customers and others. "The analysis of the internal factors of the enterprise gives an idea of the level of development and the importance of individual factors, but can not give an overall assessment of the entity's increased competitiveness. It is therefore required is an analytical tool that shows how the actions of internal factors combine, ie how they act simultaneously, and not separately. It must show in what simultaneous effect of the factors a maximum positive result can be expected and to what extend the effects of some of the factors will increase the competitive capabilities of the company. This analytical tool is the indicator of the potential of the enterprise to improve its competitiveness. Its use can generate a general evaluation and perform multidimensional analysis of the capabilities of the enterprise to increase its competitiveness. "[2]

In terms of competition, the unstable and negative external business environment now requires effective development strategy in relation to which is needed and necessary funding of the processes. The financing of certain industries and research appears as an instrument in achieving the strategic goals of the enterprise, ensuring competitiveness, and control and analysis activities. "Managing costs must include a complex of measures aimed at efficient and rational use of all factors of production." [8]

The following relate to the external factors: relationship with suppliers of raw materials and users of goods and services, positioning the brand in existing markets and expansion into new opportunity to attract external financing on acceptable price and financial attractiveness of the enterprise, contacts of the senior management with established financial institutions, the state of the infrastructure, where the establishment is located, etc.

"Under the temporary factors, providing increased business competitiveness, we understand the speed with which the operator is able to create the necessary assets or to refine them." [8] That classification is used in large enterprises and incorporates in on strategy the three factors which provide a stable position and advantages in the market. Such a strategy may be: focused on innovative technologies that are patented and registered as intellectual property for the production of competitive products and create research centers to develop and organize the structure of the control, management and organization of production, to respond to problems; orientation towards the client to meet its needs, optimize business processes based on the use of information technology; availability of highly qualified personnel and its constant development and training, forming a potential or financial ability to attract investors and others. Besides that currently we need to bear in mind subjective and objective factors that at some point may have a negative impact on competitiveness. As such can be mentioned decrease in labor productivity due to wear and tear of the equipment, lack of qualified personnel, lack of investment in production, lack of effective organizational structure, deterioration in the financial condition of the company and others. Subjective factors are related to: reduction in labor productivity due to the presence of difficulties of a different nature that slow down the processes and the absence of a developed corporate culture of the business entity that does not motivate employees, lack of profitability and efficiency as a result of costs incurred, reducing labor productivity as a result of errors in the management system and the selection of short-sighted and flawed strategy, reducing the rate of the turnover of the working capital due to deterioration of the macroeconomic situation in the country and an increase of the internal debt between businesses and others. The strategy to increase the competitiveness of the operator must ensure market leadership, presentation of a complex of measures for development; eradicate the influence of negative factors of an objective and subjective nature.

The development of the enterprise development is directly linked to attracting additional funding. "In other words, this means that in most cases the available cash flow is insufficient (or require significant time costs associated with the accumulation of the required amount of payment means) to provide a further development including on the basis of the conversion of investment projects." [13] According to the Accounting Act the composition of borrowed capital includes loans, liabilities and funding. [1]

Under the term “financial competitiveness”, we understand the ability of the entity to finance its sustainable development and to provide adequate application for a given sphere of the investments, increase of the profitability, increase of the value to the business and preservation and development of the competitiveness. The financial potential is part of the economic potential and the ability to finance the development of the enterprise and to provide the necessary resources. "For the financial and economic potential as an integral part of the economic potential we understand the totality of financial and investment opportunities of the operator, allowing him to carry out effective operational and investment activities aimed at developing key factors of competitiveness." [8] The financial stability of the enterprise is the ratio between own and borrowed funds.

The successful implementation of investment projects and intentions have a beneficial and a great impact on the growth of the economic and competitive potential, the latter of which is directly dependent on the financial competitiveness and causes an increase in the cash flow in the company. The financial sustainability of the enterprise influences the ratio between equity and loan capital. The activity of the enterprise is vital to be able to rapidly introduce the latest advances in technology and efficient use of limited resources. It all depends on the financial capacity and organization of the production. The opportunities for funding from the owners themselves are limited and are from the profits of the enterprise or from attracting additional funding and increase of the capital by the owners. "Under optimal capital structure we mean that a structure in which the weighted average cost of the capital is minimal and the market value of the company is maximum. There are classic rules for maintening certain ratios and the ratio between the assets of the company and its capital. "[3]

The use of means of the enterprise itself does not allow for its future development and reduces competitiveness and its main opportunity remains the external financing in order to increase the scale of its ongoing work by increasing the working capital and for the quality realization of the investment projects and intentions. "In practice there are used other forms of financing, namely the leasing and factoring. Leasing is widely used as a way to provide long-term assets, for which the user pays a certain price, in this case a rent, which is negotiated between the lessor and the lessee, the latter is obliged to take care as a good possessor of the assets. The lease allows for the initial investment to be lower, which relieves financialy the companies without making large investments. Factoring is a form of purchase of receivables of a client, ensuring risks and short-term lending. As we found, the capital of the company has a variety of sources, which gives us the right to treat it as a resource like any other company resources and every resource has a price depending on it sources."[3]

There are classic rules for maintaining a certain ratio and the ratio between the assets of the company and its capital. Most commonly used are the static funding rules, namely vertical and horizontal. "... .F.Hofmaster offers that to the financial managers the so called "Golden rule". According to the rule, the current assets of the company are covered by equity and short-term loans and fixed assets from equity and long-term loans. The goal is acceleration of the turnover of corporate activity and high liquidity that are a guarantee for positive financial results. The fixed assets of the company are a guarantee to lenders for mortgage and pledge when applying for a loan of a certain amount. The cost of equity is defined as the ratio between the net profit of the company to the value of the equity of the company in Levs and the relation between dividends which the equity holders expect to get to the market price / rate / per share in Levs." [3] According to Merzlov "... for the development of an effective strategy for increasing the competitiveness of financial and investment potential of the operator is connected with taking into account traditional indicators of financial sustainability, profitability and liquidity, as well as analysis of the potential and dynamics of formation of investment resources is clearly inadequate. "[8]

Improving the competitiveness of small and medium enterprises (SMEs) is one of the main objectives of the cohesion policy of the EU for the period 2014-2020. [18] "... It is expected that during the period 2014-2020. SMEs will benefit from increased use of financial instruments to mobilize additional financing from the EU and national and regional funding. "[15]

All enterprises develop their specific internal pattern and go through different stages in their development. The main stages are conditionally divided into the stages of the birth of the very structure, growth, maturity, decline and death, which are widely spread and considered by various authors. In the modern theory of the life cycle is placed the understanding that the ndustrial enterprise is a complex organism and is in a constant state of development and goes through different phases. At each stage of the development it faces certain problems. "The average lifetime of the organization is affected by a number of factors, including company size, industry affiliation, diversification, market conditions, success of management (structure, strategy, image, corporate ideology and corporate culture) and others. "[16] The main models are created at different times and the majority have been developed in the US in the second half of the twentieth century. In theory, global lifecycle has more than twenty models and lacks consensus on the mechanism of transition of the enterprise from stage to stage and accordingly the number of these stages in the life cycle. Such models are the models of Greyner, Tolbert, Galbraith, Shane, Flamholts, Adizes, and many others. The most famous models of the lifecycle of the enterprise are the models of L.Greyner and I.Adizes. According to the model of Greyner the enterprise moves through the stages in which each evolutionary period creates its own "revolution ... this is a period of rapid development of the organization that requires serious review of the management methods." [16] While the model of I.Adizes focuses on the differences between growth and aging or "... in the methodology of Adizes the attention is focused on two vital characteristics of the organization (analogous to the human organism) - flexibility and controllability (manageability). The flourishing phase of the organization starts when both characteristics are crossed and a balance is achieved between control and flexibility. "[16]

There is a connection between the economic potential and the theory of the life cycle of the enterprise. Berdnikova considers two forms of diagnostic of the potential. [5] The comprehensive study covers all activities that form the enterprise by making an analysis of the entity to provide a certain volume of production, work and services. Many economists propose to analyze the potential in terms of the internal capabilities of the enterprise and the evaluation to be done on the basis of all constituting elements. The total size of the economic potential of the enterprise is presented as the sum of the constituent elements of the potential which are expressed in value form. The expression is as follows:

$$EP = \sum EPi \text{ , (1.1.)}$$

Where EP is the aggregate economic potential in the n- number constituting elements of the economic potential.

The maximum value of the economic potential is defined as a generalized feature. This approach allows revealing the hidden reserves for better development of the enterprise in a competitive environment. The Law on Development stipulates that "... each material system aims to reach the largest aggregated potential when passing through all stages of the life cycle ..." [11] According to the definition it is clear that the value of the economic potential and its composition and the elements comprising its composition from the different stages of the life cycle of an enterprise will not be uniform and one and the same. At the various stages of the life cycle of the enterprise the influence of a particular element on the economic potential is different. The evaluation of the economic potential must take into account the impact in the ratios of the elements, the types and degrees of compliances, and the impact of the internal and external factors on the economic potential.

According to a group of scientists, the innovative potential of the industrial enterprise represents the degree of readiness to perform tasks ensuring the attainment of the set innovation goals, the state of preparedness for the implementation of innovative projects or programs for innovative reforms and introduction of innovations.[12] According others, the innovation potential is the combination of different types of resources, including material production, financial, intellectual, scientific, and technical and other resources required for the implementation of the innovation activity.[10] There is another opinion that under innovativeness it is understood the system factors and conditions necessary for the implementation of the innovation process. The basis for assessment of the state of the innovation potential are accepted the opportunities that are available to the enterprise for its own innovation activity. [9] Based on these approaches, the innovative potential of the industrial enterprise is of course its ability to reach targets under the existing stock intellectual, technical material, labor, financial and other resources serving the relevant infrastructure. Hence the innovation potential depends on the specifics of the activity of the industrial enterprise, its size and receptivity to innovation.

As it was already mentioned, in contemporary literature, to the management of the innovation potential is given a particular attention and the generally accepted definition of innovation potential as an economic category is missing. From the analysis it is clear, that the structure of the innovation potential is not fully explored. Currently, there are various accepted structures of the innovation potential that contradict each other and do not express a clear boundary between economic and innovative potential. It is necessary to mention that the innovation potential is not equivalent either in size or scale of the economic potential of the enterprise. [14] The economic potential is a combination of the following potentials: technological, logistical, financial, labor, information, research, marketing and organizational management, the development of which is a continuous process. The structure of the innovation potential is identical to the economic potential, the innovation potential is a part of these potentials which is used for the realization of the innovative project or program. It should be noted that to the innovation potential of the company is also leveraged that part of the labor potential, which we designate as intellectually creative. [14] The innovation potential is that part of the economic potential that represents the realized and unrealized opportunity to implement innovative projects or programs for innovative reforms and implementation in order to increase the competitiveness of the enterprise. Huge influence on the development of the enterprise has the factors of the market environment and as a problematic element of the development potential is the lack of an effective mechanism for enterprise management. There are many unresolved issues, and as such can be mentioned the following: "Insufficient funds, underlying demand for sources of funding and rational use of available and reasonable selection of prospective directions of innovation; The absence of a methodology for complex assessment of the innovation potential of enterprise; The necessity of a systematic technological renovation of the production with modern equipment; Increased risk, and underlying uncertainty of the result; The absence of the necessary information about market needs of innovative products and advanced scientific and technical achievements; The inefficient work of the marketing service; Lack of motivation of the staff, taking into account the increased importance of the individual specialists. " [4]

An important point in the development of an innovative strategy for development and analysis of external and internal environment are existing risks in micro and macroeconomic perspective. Based on the data analysis are identify the innovative goals for development of the senior management of the enterprise. The guidelines are to increase the competitiveness through production of new products, technologies, optimization of the cost of manufacturing and others. The strategy for development is defined and the assessment of the innovation potential and "... the innovation strategy has several features that should be analyzed during the building, namely: the targeting direction of the strategy; the nature of the strategy; the technological position in relation to competitors; the moment of penetration in emerging sectors (markets); the sources of new technologies, products and experiences; R & D funding. In order to be effective, the innovation strategy must result and support the implementation of the overall strategy." [17] The development of the innovation strategy is implemented only by the higher hierarchical level of the management and during its development is taken into account the effectiveness of the existing strategy and the necessity for adjustments. Regardless of the different level of the innovative potential of the enterprise, its policy must be geared towards separation and use of funds for conducting research and development that are aimed at conquering a leading position in the industry nationally and internationally. To develop such a program, the issues related to financial security, organization and control of the implementation and evaluation of innovative potential should have been resolved.

CONCLUSION

As a result of the conducted survey it was found out that the establishment of an effective mechanism for management and evaluation of the innovation potential will contribute to making sound strategic decisions based on the assessment data and research to increase the efficiency of use of the available resources and business opportunities.

The conclusion we have reached from the stated, is that a particular attention should be paid to the search and formation of reserves for increasing the financial competitiveness as a factor in increasing the global competitiveness. Under reserves it should be understood the potential of the enterprise to use its own capital and the retained earnings. And under reserves for attracting loan capital will be understood the presence of a potential on attracting loans, leases, EU funds and others. For the increase of the competitive potential a significant influenced has its financial constituting, and namely the financial potential.

The presented in this presentation models and the relationship between the economic potential and the lifecycle of the enterprise prove that the undertaking is a living organism and there is almost no literature on the described problem. An insufficient number of made and published researches on the subject make it difficult to judge the way you can determine each phase of the lifecycle. It is advisable to continue research in this area. Managers must conform to know at what stage is the enterprise with the objective to make an adequate strategic and tactical decision based on the experience and theoretical knowledge on the subject.

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