PROFITABILITY MANAGEMENT AS ELEMENT OF ENTERPRISES COMPETETIVENESS IMPROVEMENT

Abstract. Profitability management is an important factor in the growth of activity efficiency and contributes to the improvement of competitiveness and viability of enterprises in the long term. The efficiency of activity should be understood as the relationship between spent production factors and the obtained result, that is, obtaining the maximum possible result under the given restrictions.

In conditions of high competition, the main role in strengthening competitiveness is played by non-systemic factors. The main element of improving competitiveness is the orientation of enterprises to intensive development, which requires them to constantly search for internal sources of increased activity efficiency. Increasing the efficiency of production, the level of material and technical equipment, improving the organization and quality of management at all levels, optimizing production, improving the qualifications of personnel, optimizing the structure of assets and capital are those internal reserves that can ensure the growth of economic efficiency.

The profitability management model should facilitate the realization of the entire internal potential of the enterprise and ensure the management of the process of profit formation at all levels. It should determine potential ways and reserves of
economic efficiency growth. For this purpose, the profitability management model should include an appropriate information base and a special system of indicators, which is able to reliably assess the parameters of the internal and external environment of the enterprise at any time and determine their compliance with the strategic goals of the enterprise's development, and in case of deviations, to signal about it.

The formation and implementation of the profitability management model requires its harmonious integration into the general enterprise management model and must correspond to the overall development strategy. At the same time, model development is a complex complex process that requires assessment and consideration of the influence of systemic and non-systemic factors.

**Keywords:** profitability management, effective functioning, profitability management model, profitability factors, enterprise competitiveness.

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УПРАВЛІННЯ ПРИБУТКОВІСТЮ ЯК ЕЛЕМЕНТ ПОКРАЩЕННЯ КОНКУРЕНТОСПРОМОЖНОСТІ ПІДПРИЄМСТВ

**Анотація.** Управління прибутковістю є важливим чинником зростання ефективності діяльності та сприяє покращенню конкурентоспроможності та життездатності підприємств в довгостроковій перспективі. Під ефективністю діяльності варто розуміти взаємозв’язок між витраченнями факторами виробництва та отриманим результатом, тобто розуміється отримання максимально можливого результата за заданих обмежень.

В умовах високої конкуренції основну роль в посиленні конкурентоспроможності відіграють несистемні чинники. Основним елементом покращення конкурентоспроможності є орієнтованість підприємств на інтенсивний розвиток, що вимагає від них постійного пошуку внутрішніх джерел зростання ефективності діяльності. Підвищення
ефективності виробництва, рівня матеріально-технічного оснащення, покращення організації та якості управління на всіх рівнях, оптимізація виробництва, покращення кваліфікації персоналу, оптимізація структури активів та капіталу є тими внутрішніми резервами, які здатні забезпечити зростання економічної ефективності.

Модель управління прибутковістю має сприяти реалізації усього внутрішнього потенціалу підприємства та забезпечувати управління процесом формування прибутку на всіх рівнях. Вона повинна визначати потенційні шляхи та резерви зростання економічної ефективності. З цією метою модель управління прибутковістю має включати відповідну інформаційну базу та спеціальну систему показників, яка здатна в будь-який момент часу достовірно оцінити параметри внутрішнього та зовнішнього середовища підприємства і визначити їх відповідність стратегічним цілям розвитку підприємства, а у випадку їх відхилення просигналізувати про це.

Формування та впровадження моделі управління прибутковістю вимагає її гармонійної інтеграції у загальну модель управління підприємством та має відповідати загальній стратегії розвитку. В той же час розробка моделі є складним комплексним процесом, що потребує оцінки та врахування впливу системних та несистемних факторів.

Ключові слова: управління прибутковістю, ефективне функціонування, модель управління прибутковістю, чинники прибутковості, конкурентоспроможність підприємства.

**Formulation of the problem.** In the conditions of extremely high level of competition, which is characteristic of the modern economic system, the orientation of the management of the enterprise to the growth of the economic efficiency of its activities is becoming more and more important. The challenges currently faced by business entities require a constant search for ways to strengthen market positions. The rapid pace of globalization of national economies further exacerbates the competitive struggle. Domestic enterprises are particularly sensitive to the negative impact of globalization processes, because of Ukraine's relatively recent transition from a planned to a market economy, they are significantly inferior to foreign economic entities in terms of scientific, technical and financial development, which further complicates their achievement of their strategic development goals. Therefore, to ensure competitiveness and viability in the long term, it is extremely important for domestic enterprises to borrow experience from leading foreign enterprises and implement their best practices in their own activities, especially in the field of management organization, as well as scientific, technical and innovative development. Such actions will contribute to faster adaptation and transformation of domestic enterprises in accordance with the trends of globalization processes.
As you know, on February 24, 2022, Ukraine faced an unprovoked military aggression, which there is currently a significant drop in the national economy - the business activity of business entities has fallen to a critically low level. In such conditions, management's focus on economic efficiency is one of the factors of stabilizing the macroeconomic situation and ensuring the basic level of social welfare in conditions where a significant part of resources is directed to the protection of national security.

**Analysis of recent research and publications.** In domestic and foreign economic literature, you can find many scientific works and studies devoted to the issue of profitability of enterprises. The essence of profitability as an economic category is defined in the works of such foreign scientists and researchers as D. Galbraith, F. Knight, J. Van Horn, E. Brigham. In Ukraine, the problem of profitability was taken care of and repeatedly highlighted in his works by I. Blank, M. Ohiychuk, V. Blonska, R. Skalyuk, V. Khuda, L. Denisenko, T. Osypova, R. Antonyuk and others. However, the dynamism of the economic system, which is expressed through the transformation of economic relations in accordance with current social needs, as well as the uncertainty of its development, leaves room for further research into the issue of profitability.

**Formulation of the goals of the article.** The article aims to reveal the economic essence of the concept of "profitability management", to justify the importance of profitability management in the process of improving the competitiveness of enterprises and to propose a model of profitability management that can ensure the strategic development of the enterprise in conditions of high competition.

**Presenting main material.** The rapid process of transformation of the system of economic relations in Ukraine towards liberalization influenced the strengthening of market mechanisms within this system, thus improving its ability to self-regulate. Such circumstances brought with them undeniable advantages in the form of a more efficient distribution of resources, which are directed to those types and areas of activity where they can provide higher productivity. In addition, the principles of the market mechanism contribute to self-realization of entrepreneurs and their desire to improve all aspects of activity, scientific and technical progress, flexibility and adaptability of production, freedom of economic agents in choosing economic solutions. However, the market mechanism has a certain list of disadvantages, the main of which is the tendency of the market to unstable development with crises, which poses threats to the viability of enterprises, therefore ensuring the profitability of activities is one of the primary tasks that they must solve in the process of functioning.

In order to understand the essence of the concept of "profitability", it is advisable to refer to the interpretations that have already been provided by many domestic and foreign scientists and researchers.
So, for example, R. Antonyuk believes that profitability is a stable economic phenomenon, which manifests itself as the confirmed ability of an enterprise to generate a positive financial result from the implementation of both the main and all economic activities, which consists in the excess of income over incurred expenses in an amount sufficient for effective further functioning [1].

T. Osypova believes that the basis of profitability is the profit itself, which in general determines the result of the financial and economic activity of enterprises as business entities. Therefore, profit represents its results [2].

According to M. Oyichuk profitability is a type of efficiency that characterizes the performance of economic systems (enterprises, territories, national economy). The main feature of such systems is the valuable nature of the means (expenses, costs) of achieving goals (results), and in some cases, the goals themselves (in particular, making a profit) [3].

As can be seen from the above definitions, profitability is a criterion for the efficiency of activity and is inextricably linked to making a profit. However, despite the proximity of the concepts of "profitability" and "profit", they are still not identical, because the concept of profitability is much broader than the concept of profit - profit expresses the absolute effect of the enterprise's activities and characterizes its success in general, not taking into account the resources and conditions spent, for which it was obtained, while profitability expresses the relative effect of activity and directly indicates the level of quality of the obtained profit.

Such a close relationship between profitability and profit gives reason to believe that the management of the process of profit formation directly affects the level of profitability of the enterprise. The main goal of profit management is to maximize its quality and absolute value in accordance with the available potential and conditions of the market environment. In order to more broadly consider the essence of the concept of "profit management", it is worth considering the interpretations given by some scientists and researchers. For example, V. Blonska claims that profit management represents the construction of a management system that considers tactical and strategic aspects of management, aimed at increasing the final results of the business entity, which is considered as a set of interrelated elements, each of which performs a certain job, the joint action of which provides achievement of the mechanism of obtaining a profit of a given amount [4].

R. Skalyuk defines enterprise profit management as a complex process of developing and implementing sound management decisions in terms of the processes of formation, distribution, and use of profit, aimed at ensuring a sustainable increase in profitability, market value and achieving long-term economic development of the enterprise, which contributes to the successful implementation of its main goal [5].
V. Khuda, in turn, believes that profit management is a purposeful, systematic process of preparation, evaluation, selection and implementation of alternative management solutions on all issues of its formation, distribution and use at a specific trading enterprise [6].

Having considered these interpretations, we can conclude that the essence of the concept of "profit management" is the process of developing, adopting and implementing management decisions aimed at obtaining such a level of profit that is able to simultaneously satisfy the interests of the owners and ensure the reproduction of activities. However, we believe that the given interpretations require critical consideration, as well as certain clarifications and changes. Taking into account that the results of any business process are reflected in profit, and the increase in activity efficiency and improvement in the quality of profit is a consequence of their optimization, the improvement of the final result of the activity should not be achieved at the expense of the deterioration of its quality, therefore profit management should aim at the same time achieve an increase in the absolute value of profit, as well as improve its quality. It should be noted that the efficiency of activity should be understood as the relationship between the spent factors of production and the obtained result, that is, obtaining the maximum possible result under the given restrictions. An increase in efficiency can be achieved by using fewer resources to create such a result, or by using the same number of resources or greater output with relatively fewer resources to create a greater result [7]. So, based on the above, we believe that profitability management is the kind of enterprise management that can ensure the generation of profit at the level that is necessary for further effective activity and the realization of the strategic goals of the enterprise's development.

Profitability management should include a set of measures that cover all levels of the process of formation, distribution and use of profit. In the conditions of high competition, the main element of improving competitiveness is the orientation of enterprises to intensive development, which requires them to constantly search for internal sources of growth of activity efficiency. The main task to be solved by the enterprise in the process of profitability management is the minimization of the negative effects of factors that affect the economic efficiency of its activities. Characterizing the factors influencing the efficiency of activity, it is advisable to divide them into two types - systemic and non-systemic (Table 1).
### Table 1

Factors affecting the economic efficiency of enterprises

<table>
<thead>
<tr>
<th>Systemic</th>
<th>Non-systemic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political and legal</td>
<td>Organizational and legal form</td>
</tr>
<tr>
<td>Social and cultural</td>
<td>Management system and organization</td>
</tr>
<tr>
<td>Natural and climatic</td>
<td>Qualification of personnel</td>
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<tr>
<td>Fiscal</td>
<td>Organization and production technology</td>
</tr>
<tr>
<td>Macroeconomic</td>
<td>Product competitiveness</td>
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<tr>
<td>Investment</td>
<td>The level of material and technical equipment</td>
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<tr>
<td>Technological</td>
<td>The level of innovative development</td>
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*Source: compiled by the authors based on [8]*

Systemic factors are characterized by their ability to influence all market participants. These factors include political and legal aspects, that is, the constitutional process in the state, its socio-cultural development, natural and climatic conditions, fiscal policy, macroeconomic condition, investment attractiveness of the state, as well as its technological policy. The level of economic efficiency of enterprises directly depends on the orientation of legal regulation of economic relations to the formation of mechanisms for ensuring the implementation of optimal economic decisions in conditions of competition. Socio-cultural development of society is interconnected with economic development - their dynamics are coordinated and have a single-vector direction, because economic progress is possible only if the level of socialization of social relations increases. The fact that fiscal policy affects the rate of economic growth due to expenditure management or the level of taxes is indisputable, therefore, setting the tax burden at the optimal possible level is one of the priority tasks for the government of a country that aims to achieve economic growth. Macroeconomic trends, as well as the state of the state's technological base and its technological policy are also determinants of economic efficiency.

In conditions of high competition, the main role in strengthening competitiveness is played by non-systemic factors. Increasing the efficiency of production, the level of material and technical equipment, improving the organization and quality of management at all levels, optimizing production, improving the qualifications of personnel, optimizing the structure of assets and capital are those internal reserves that can ensure the growth of economic efficiency.

The profitability management model should facilitate the realization of the entire internal potential of the enterprise and ensure the management of the process
of profit formation at all levels. It should determine potential ways and reserves of economic efficiency growth. For this purpose, the profitability management model should include an appropriate information base and a special system of indicators, which is able to reliably assess the parameters of the internal and external environment of the enterprise at any time and determine their compliance with the strategic goals of the enterprise's development, and in case of deviations, to signal about it. An important element of the profitability management model is the mechanism for ensuring the economic security of the company's activities, therefore the system of indicators should also include a set of indicators that are able to timely determine the emergence of the processes of the formation of crisis phenomena and contribute to the response in order to neutralize them or minimize their impact. In addition, the profitability management model should include mechanisms for determining factors and assessing their impact on the process of profit formation, which will contribute to the search for ways to increase its mass and improve its quality.

The scope of profitability management should include all internal directions of increasing economic efficiency, which can be conditionally divided into three blocks - resource, organizational and technological. The resource block provides an analysis of the use of material and labor resources, considering the level of production loading, the cost structure and the share of each cost item. The indicators used in the analysis of resources should be considered dynamically and, if possible, compared with the indicators of the closest competitors and leaders in the industry. The resource direction should resolve the issue of the optimal direction of resource management.

The organizational unit is responsible for finding new ways to improve management and improve the efficiency of processes carried out at the enterprise. The organization of production is reviewed for the purpose of finding reserves for improving efficiency in all its aspects - from a separate workplace to the production cycle in general. Best practices for management optimization are implemented, experience is borrowed from leading companies. The optimization direction should solve the issue of the optimal structure of management and production in accordance with the internal and external capabilities of the enterprise (figure 1).

The third block is technological. Its main task is to control the compliance of production processes with modern technological development. This direction of development is the most relevant for domestic enterprises. It includes two components - material and immaterial. The material component is responsible for the compliance of the technical base and production technology with their modern counterparts, and the immaterial component is responsible for the compliance of
the system of relations at the enterprise, that is, the corporate culture, with the best practices in this area.

Fig. 1. A model of profitability management in conditions of high competition

Source: compiled by the authors

While developing the profitability model, the authors aimed to emphasize the feasibility of its application in conditions of high competition, where it is almost impossible to achieve significant advantages and economic growth due to such traditional methods of increasing profits as the growth of sales volumes, the opportunity to use market authorities, etc., however, the model is quite flexible and
subject to economic changes and the appearance of potential opportunities to
improve efficiency due to systemic factors, at the stage of searching for reserves
and developing ways to achieve mass growth and improve the quality of profit,
along with internal reserves, external ones can also be considered. In addition, the
model is harmoniously integrated into the general management system of the
enterprise, because it takes into account all existing conditions and factors of
activity and corresponds to strategic and current development plans.

Conclusions. Therefore, the study showed that profitability management is
an important factor in the growth of activity efficiency and contributes to the
improvement of competitiveness and viability of enterprises in the long term.

The formation and implementation of the profitability management model
requires its harmonious integration into the general enterprise management model
and must correspond to the overall development strategy. At the same time, model
development is a complex complex process that requires assessment and
consideration of the influence of systemic and non-systemic factors.

The scientific novelty of the study consists in the deepening of the already
existing theoretical aspects of profitability management, namely: a new
interpretation of the concept of "profitability management" is provided as such
management of the enterprise, which is able to ensure the generation of profit at
the level necessary for the further effective operation of the enterprise and the
realization of its strategic development goals. In addition, a model of profitability
management in conditions of a high level of competition was proposed, which is
focused on increasing the efficiency of operations at the expense of non-systemic
reserves, but is flexible and able to take into account systemic ones as necessary.

The theoretical significance of the research lies in the consideration of a
number of theoretical propositions that allow a deeper understanding of the essence
of the concept of profitability and its management.

The practical significance of the work is determined by the fact that the
provisions and recommendations presented in it can be used in the process of
activity to form or modernize the profitability management system, which will
contribute to the optimization of the processes taking place at the enterprise.

The further direction of the study of the problem of profitability consists in an in-
depth analysis of the management of profitability in the conditions of martial law.

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