

## IMPROVING THE EXPORT PERFORMANCE OF THE COMPANY ON THE BASIS OF ITS RESULTS EVALUATION

### POBOLJŠANJE IZVOZNE USPJEŠNOSTI PODUZEĆA NA TEMELJU OCJENE NJEGOVIH REZULTATA

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**Abstract:** *This work analyses argumentation and interpretation of approaches for increasing the performance of export activity of a company on the basis of its results evaluation. It was founded that the most of existing approaches are based on using of the calculation and further analyzes of the basic indexes which characterize export performance of the company. Three types of companies were distinguished with proposed ways to improving of some aspects of management for each type of company depending on current conditions. As a result, a comprehensive methodological approach for optimization of export performance of the company is proposed.*

**Key words:** *export activity, efficiency, factors of efficiency, export potential*



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## **1. Introduction**

To overcome the negative impact of competitive environmental factors that hinder the development of export activities, companies need to make a choice of effective management decisions. These decisions concern, in particular, the system of formation of management accounting, optimization of logistics costs, improvement of the monitoring system and other components of the export strategy of the company. The complex nature of these processes, significant risks of doing business abroad compared to the domestic market, give rise to the need to create a comprehensive approach to optimizing the export activities of the company.

## **2. Understanding transition**

The work of many scientists, including Katsikeas S., Leonidou C. & Morgan A., Bondareva T., Osadchuk A., Bondarenko A., Sadeghi, A. & Rose. E., Ilyasova Y., Manin P., Nevskaya N., Fatenok-Tkachuk A. and others, is devoted to the assessment of the efficiency of export activity of the company.

The purpose of the study is to substantiate the directions (strategies) to increase the efficiency of export activities of companies based on the results of its evaluation.

Analysis of the research of the above scientists shows that different approaches are used to study the efficiency of export activities of companies. Some are based on the use of quantitative methods based on the calculation and analysis of a set of indicators that characterize exports. Expert methods based on the use of expert opinion are also widely used. Often both approaches are used together.

Among the existing methodological approaches to determining the effectiveness of export activities of the company is interesting approach of Bondareva T. and Osadchuk A. [1]. Researchers emphasize that the efficiency of economic activity is one of the economic categories, which is the basis for the selection and implementation of alternative economic development, determines the feasibility of innovation and investment projects, creation of new products and services, development and implementation of new equipment, improving the organization and management of production, improving the quality of working life of staff, etc. The authors propose to use a generalizing indicator that can be calculated as a taxonomic coefficient of development of multidimensional objects.

Sadeghi, A. & Rose. E., develop and test two approaches for measuring export performance: the “individualized perceived export performance” (IPEP) framework and a simplified model. Both measurement approaches provide integrative, multidimensional conceptualizations of perceptual export performance, suited for different purposes [11].

Nevskaya N. proposed a method of assessing the export performance of industrial enterprises, which takes into account both the results of expert surveys and quantitative assessment of the impact of factors of production and sales in foreign markets [10]. In her research, she revealed the degree of influence of factors of

formation and realization of export potential on the basis of a questionnaire survey of managers of industrial enterprises. On the basis of the obtained qualitative indicators, the quantitative value of the export potential of the studied companies for the medium term is calculated.

Ilyasov Y. in her study takes as a criterion for the effectiveness of export activities the maximum net income from export operations [6]. According to this criterion, the researcher proposes to choose the best options for cooperation with external trading partners. Quantitative assessment of this criterion should be based on a comparison of the cumulative effect of certain options for foreign economic cooperation of the company and the total costs associated with its implementation.

Manin P., in order to comprehensively substantiate and analyze the economic efficiency of export activities of the company and to identify specific reserves for its increase, proposes to use a comprehensive analysis of export potential, based on a system of interrelated indicators [8,9]. The scientist argues that a comprehensive analysis of the export potential of the company should take into account not only export activities, but also the analysis of all aspects of the company that are at least somehow related to exports. Analysis of each element of export potential separately from each other, according to the scientist, will not give an accurate idea of the reserves for increasing export activities of the company. As a generalization in the system of indicators, the researcher proposes to use an integrated indicator of export potential.

One of the key points in the study of export activities is to determine the factors influencing the effectiveness of the export potential of the company. The most effective method of identifying factors that have a significant impact on the development of export potential of companies, in our opinion, and to which many researchers are inclined, is the method of expert assessments.

Thus, Fatenok-Tkachuk A. used the method of expert evaluations using direct evaluation to identify factors that have a significant impact on the development of foreign economic activity of companies [4]. The use of expert opinions, the scientist notes, provides significant advantages, as it allows us to assess and take into account various informal situations in the context of uncertain initial data due to the difficulty of obtaining information directly at the enterprise.

Katsikeas S., Leonidou C. & Morgan A. suggest, that export performance should be measured using a portfolio of indicators, similar to the financial ratio analysis employed in financial accounting systems. Specifically, there is a need to systematically monitor multiple indicators on a regular basis and set standards for their improvement. It should be appreciated that export performance measures are interrelated, either positively or negatively, requiring a cautious approach in judging export performance [7].

Bondarenko A. believes that the efficiency of the company is characterized by a certain number of indicators, but each such indicator is influenced by a whole system of factors [2,3]. According to her, in order to conduct a qualitative assessment of export efficiency, they need to be identified and analyzed. As a result of the assessment of export efficiency factors, A. Bondarenko proposes to develop directions of activity to reduce the negative impact of selected factors by realizing the potential opportunities arising from the influence of internal and external factors.

### **3.Data processing**

In order to study the efficiency of the export activities of the company, we analyzed the activities of 24 woodworking companies in the Transcarpathian region, Ukraine. To assess the effectiveness of the export activities of the chosen companies, the general financial condition of the selected entities was first analyzed. On the basis of data on financial results and data on the production of certain types of export products of the studied companies, some indicators are calculated that characterize the efficiency of export activities of these companies, such as efficiency of production and sales of export products, share of exports in total sales of companies, profitability of export sales, return on assets, capital intensity, productivity and productivity of personnel in exports.

Analysis of the efficiency of export activities of the studied companies revealed that elements of the situational approach should be used to strengthen their export potential, because in modern dynamic conditions it is best suited for export activities and operational adjustment in accordance with economic, legal and institutional changes.

For determining the factors that make the impact on the efficiency of export activities of the companies, an expert study by using a questionnaire of experts was made. The methodology of it is described in detail by Hrabovetsky Y. [5].

According to expert estimates, the most significant factors influencing the export activities of the company were organizational factors. The second most important were marketing factors.

Therefore, it is advisable to pay attention to improving these aspects of the company's export activities, as appropriate measures will have the greatest impact on increasing its export potential.

Analysis of the organization of management in the studied companies revealed that the processes of management accounting are influenced by two groups of factors: the organizational structure of the enterprise and the external environment, which, also, influence the decision-making process on foreign economic operations.

The analysis helped us to classify situational factors for the purposes of improving management accounting into two main categories: internal and external.

Internal factors include organizational characteristics, technology and strategy.

External ones cover certain aspects of the external environment, in particular the

business environment and accounting systems, which have a double influence: on internal factors and on the principles of management accounting of the company. Analysis of the impact of factors on the efficiency of export activities of the surveyed companies allowed us to conclude that external factors affect efficiency indirectly (in particular, through the system of management accounting), while internal have a direct impact.

The study of indicators of efficiency of export activity of companies helped us to identify three areas (types of companies) in which it is necessary to improve certain aspects of the management accounting system, depending on the current economic condition of company. Indicators provide an opportunity to assess the state of export activities of the company and choose appropriate areas for its improvement.

For each of these types of companies, recommendations are proposed for improving certain aspects of management accounting.

Thus, the first group is companies with a high level of income from export activities. Such companies are characterized by the ability to take a leading position in meeting consumer demand, high productivity, and, at the same time, the highest return on capital and investment.

They are characterized by the highest indicators of production efficiency, export sales and profitability of export sales.

In order to maintain their high-level export activities, such companies must take into account their own specific preferences and develop them in accordance with consumer requirements. For such companies it is important not only to achieve the highest level of all indicators of export activity, but also to spread the positive aspects of their own practice. This means that the main focus should be on creating, maintaining and continuously improving an effective management accounting system.

The main measures to achieve this goal:

- strengthening the impact of high-quality goods (goods, services) and improving their quality;
- use of an improved, expanded system of management control with the use of highly standardized methods of management control over export activities, in particular an improved reporting system;
- intensification of production and distribution in the market of export goods

The next group - companies that have problems in meeting consumer demand in export markets. This group of companies is characterized by low, compared to other indicators of the industry, the efficiency of export sales.

In this case, it is necessary to carefully study the negative effects of consumers in order to balance the efficiency of exports and its quality. The main direction of improving the efficiency of export activities for such companies may be to identify

appropriate levers of influence on consumer demand, which, at the same time, do not have a negative impact on the company's productivity, or this impact is insignificant.

The main measures to achieve this goal are as follows:

- a detailed analysis of consumer demand and consumer preferences in order to further determine the relevant resources of the company that can be used to meet consumer demand. Given that the resources of companies of this type are usually limited to the implementation of special mechanisms of management accounting and control, an important element is the analysis of resources and capacity to improve export activities;
- identification of investment potential to improve export activities (potential growth of consumer demand / consumer loyalty and financial performance);
- directing investments in those mechanisms of management accounting and control that have a significant direct impact on meeting consumer demand.

The third and last group are companies with a high level of export costs. This group includes leading companies that export goods at a price lower than competitors. Profitability of export sales in them, in general, is lower compared to other companies in the industry.

As follows from the above, the main goal is to increase the efficiency of profitability of export sales; at the same time it is necessary to take into account the cost of high quality exported goods, which cannot be provided without the use of adequate resources.

The main measures of management accounting and control for such enterprises should be aimed at effective resource management and may include:

- thorough analysis of consumer demand and the use, like the previous group, of highly standardized methods of management control in sectors that directly affect consumer demand;
- use of highly standardized mechanisms of management accounting and control in the field of cost management;
- active use of the target costing policy within the concept of managing the target cost of exported products.

A special role in the system of organization of export activities of the company plays logistics. Logistics is an important marketing aspect of the company, which, according to experts opinion, is in second place in terms of its impact on the export activities of the companies. One of the main factors of effective organization of logistics activities is the optimization of transport costs of the exporting company. Implementation and effective implementation of the proposed recommendations is impossible without careful monitoring of all aspects of the company's export activities.

The analysis of the factors influencing the company's export activity allowed us to identify the main processes to which the main efforts in the field of monitoring should be directed.

1. Management of export activities at the enterprise. This unit involves monitoring the decision-making process regarding export activities, including planning, determining methods of doing business, establishing the responsibilities of different departments and coordinating their activities in the implementation of export activities of the company.

2. Management of resources related to the main production and export activities of the company. Resource management monitoring includes monitoring the rational use of available resources: capital, technical, technological, labor, marketing, information, involved directly in the export activities of the company.

3. Evaluation of export activities of the company. It includes systematic evaluation of the export process. Systematic evaluation of export activities includes monitoring and evaluation of the effectiveness of export activities using internal control methods. The results of such monitoring can be an incentive for the company to take certain measures aimed at improving export activities. Evaluation of the process of export activity is a monitoring and evaluation at the following stages of export activity of the company:

- study of the foreign market;
- preparation of production for export;
- production of exported products;
- sales of exported products;
- after sales service.

All the above, together with the analysis and assessment of factors influencing the export activities of the company allowed us to develop a comprehensive approach to improve the efficiency of export activities of the enterprise (Fig. 1).

In order to ensure the functional autonomy of export activities, the proposed approach includes such subsystems as management accounting and control, monitoring of export activities of the company, planning and control of export activities, consumer demand, inventories and procurement operations.

The purpose of the main component of the approach is to increase the efficiency of export activities - planning and control of export activities, to ensure compliance with contractual obligations in accordance with the terms and requirements for quality of export products based on planning and control over efficient use of resources needed for export activities.

The following processes are involved in the planning and control of export activities: determination of functional criteria - criteria for the implementation of the production program of the company and determination of priority criteria; determination of periods and options for planning export production; planning the need for material resources; development of schedules and rules of division of labour; assessment of the condition of production facilities; the procedure for settling emergency situations.

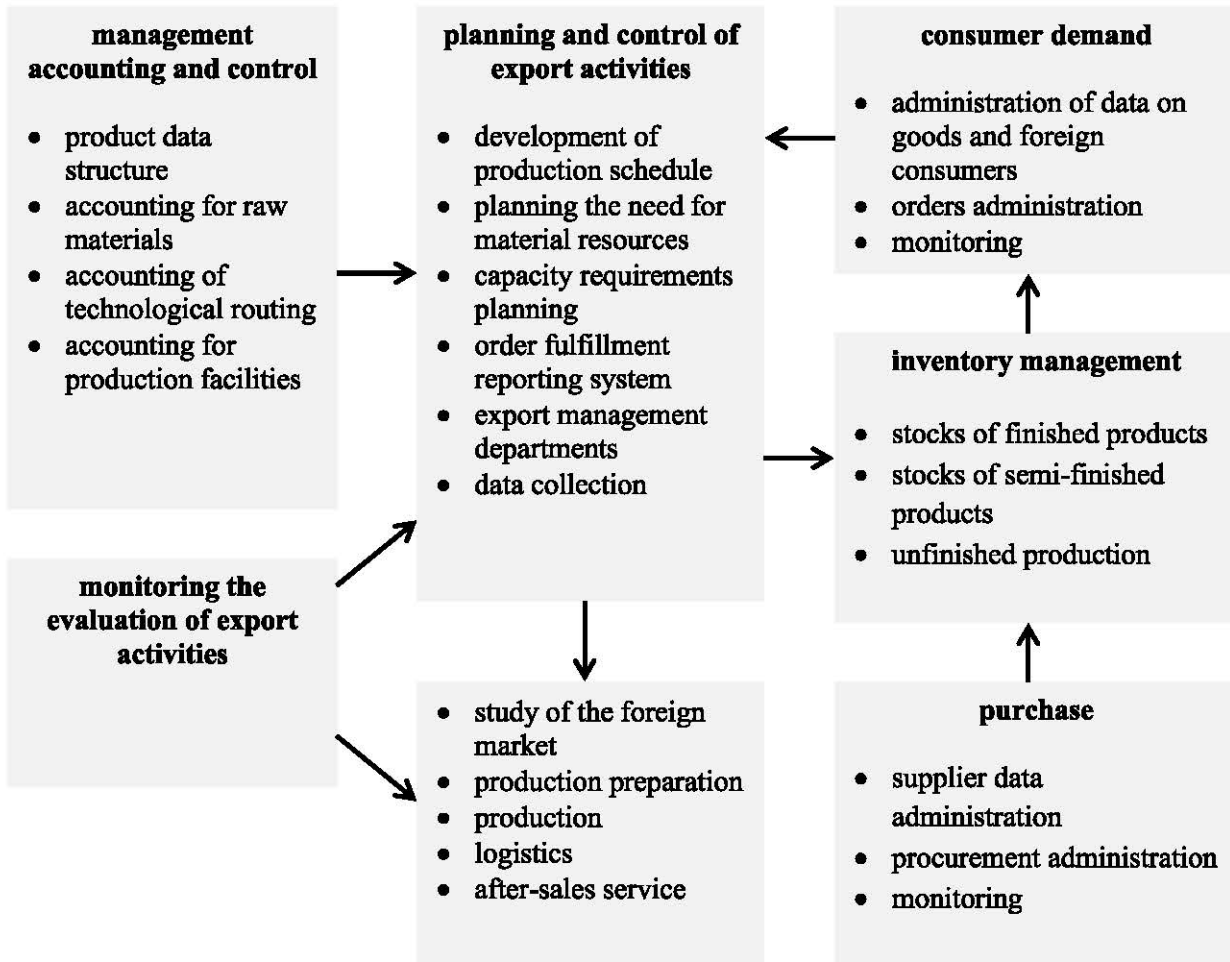


Figure 1. A comprehensive approach to increase the efficiency of export activities of the company

Management accounting and control includes the following processes: determining the structure of data by product type, which contains information on the specification of materials, route map and related equipment; development of engineering and technical documentation and technological routing; accounting of production facilities; raw material accounting.

The purpose of procurement management is to obtain in the required quantity and by a certain date the necessary raw materials for the production of exported products, while - at the lowest possible prices and the appropriate level of quality. This subsystem covers relationships with suppliers; determining the needs for raw materials and supplies.

The inventory management subsystem aims to ensure the optimal level of inventory, which will reduce the cost of storage of finished products, semi-finished products, work in progress, spare parts; as well as to ensure the continuity of the production process.

The purpose of the order management subsystem is to increase consumer demand. It includes the processes of administration of orders of foreign consumers; after sales service.

The export activity monitoring subsystem aims to create a system for assessing the effectiveness of the company's export activities based on observations of financial



and economic export activities of the company, determining the size of deviations of actual results from planned and identifying the causes of these deviations to adjust its efficiency. This subsystem involves the processes of systematic evaluation and evaluation of the export activity of the company.

#### 4. Conclusions.

The analysis of the efficiency of export activities of companies allowed us to identify three types of companies, which should improve certain aspects of the management accounting system, depending on the current economic condition of the company. The indicators of evaluation of the efficiency of export activity of the company provide an opportunity to assess its condition and choose the appropriate areas for its improvement for each type of companies.

Based on the results of the evaluation of the efficiency of export activities for each of these types of companies, directions and recommendations for improving certain aspects of export activities have been proposed and substantiated.

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