

**MANAGEMENT SYSTEM OF FINANCIAL
SUSTAINABILITY OF THE ENTERPRISE**

Olena Arefieva¹

Samira Piletska²

Nadiia Honcharova³

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In modern conditions of economic instability, and a complex geopolitical situation there is a high degree of uncertainty in the functioning of business entities, which significantly increases the risk of bankruptcy due to their inability to withstand the negative impact of external and internal factors. Over the last decade many enterprises of different ownership forms have become bankrupts or are on the verge of bankruptcy as a result of the crisis processes in the world community and in Ukraine in particular. This indicates that at present even large and successful companies need to form and effectively operate a new management system on a microeconomic level, focused on the growth of equity capital while ensuring the target level of financial sustainability in an unstable environment.

In order to develop the management system of financial sustainability of the enterprise (MSFSE) let's consider the essence of «financial sustainability» (Table 1).

Given the systemic nature of the world around, the essence of the financial sustainability of the enterprise should be studied from the perspective of the systems approach, which considers the enterprise as an open socio-economic system, functioning in the external environment.

The study of general provisions of the theories of systems, sustainability of systems establishes that the sustainability of the enterprise can be characterized as its ability to maintain the integrity and simultaneously develop in a given trajectory, despite the influence of external and internal environment factors.

¹ Doctor of Economics, Professor,
Head of the Department of Air Transport Economics

² Doctor of Economics, Professor,
Professor of the Department of Air Transport Economics

³ Master's Degree,
National Aviation University

Definitions of the «financial sustainability» concept

Author	Definition
V. Lisovyi [13]	Financial sustainability – is the study of the ability to mobilize financial resources and use them in a field that will ensure economic growth.
G.V. Savytska [20]	Financial sustainability – the ability of an enterprise to function and develop, to maintain the balance of its assets and liabilities in a changing internal and external environment, which guarantees its constant solvency and investment attractiveness within an acceptable level of risk.
I.P. Kosareva, Ye.M. Udovyk [9]	Financial sustainability of an enterprise is a property of enterprise which reflects in the process of interaction of external and internal factors of influence of achievement of financial equilibrium and ability not only to keep on the appropriate level during certain time the main characteristics of enterprise activity, but also to function and develop.
O.O. Tsyplitka, S.M. Sysan [25]	Financial sustainability of an enterprise is a category that depends on effective management of financial resources and is determined by the ratio of own and borrowed funds, assets and sources of their financing.
O.M. Trydid [23]	Distinctive features of the definition of this concept from the existing ones are capital flow accounting; weighing on the necessity and sufficiency of adapting a financially sustainable enterprise to space and time.
N.H. Slobodian [21]	Financial sustainability provides a stable solvency for the future, which is based on the balance of assets and liabilities, income and expenses and cash flows, so the next stage of the analysis of financial stability of the enterprise is the assessment of solvency.
K. Drury [7]	The financial sustainability of an enterprise is a concept that should be evaluated through its financial independence associated with the overall structure of the enterprise, the degree of dependence on external sources of funding.
O.S. Fylymonenko [24]	The state of an enterprise in which the size of its property (assets) is sufficient for liabilities, i.e. the enterprise is solvent
M.Ya. Korobov [8]	is the conformity of the parameters of the enterprise’s activity and the placement of its financial resources to the criteria of positive characteristics of financial standing
O.R. Krivitska [11]	As a result of the formation of a sufficient amount of profit for the development of the enterprise, which is a defining sign of its economic independence

Collective monograph

(End of Table 1)

Author	Definition
O.A. Harasyuk, K.V. Bogachevska [6]	the art of ensuring the smooth operation of the enterprise and the presence of a sufficient proportion of own funds, as well as their even use, placement and accumulation to maintain financial sustainability for the long term
M.S. Kravchenko [10]	a set of management decisions aimed at ensuring the stable financial and economic position of an industrial enterprise in the long term
O.L. Kuzenko [12]	the process of planning, analysis, organization, motivation, control connected with securing the state of financial resources, their formation and distribution, allowing the enterprise to achieve the required level of financial sustainability
H.V. Vasylchenko [4]	A set of processes, subject to a system of principles and methods for the development and implementation of management decisions aimed at the development of financial relations of the business entity, determined by the formation, distribution and use of its financial resources as a result of economic activity
S.T. Piletska [15]	«Economic sustainability» of an enterprise is a form of equilibrium of the enterprise (socio-economic system), as a result of which in the conditions of external negative factors its properties of functionality (integrity) are shown, allowing to adapt to destabilizing factors by complex formation and use potential in each element of the system and to carry out evolutionary development, to maintain competitive advantages in order to meet the social and social needs of both the staff of the enterprise and the society as a whole.

It is in this context it is necessary to emphasize the process, spatial approaches in the development of enterprises as a system, which allow an adaptation to changes in the environment when implementing such economies as knowledge economy, service, information economy and others. Thus, in the spatial-and-circular economy the development is considered as a combination of intellectual, resource and institutional changes of the system on the basis of a qualitative reorganization of the architectonics of connections and the formation of a flow approach to their movement [2]. These changes create conditions for the accumulation of innovative potential, capable of mastering the latest technologies, creating new products, mastering new markets, increasing the real product for consumption, providing favorable conditions for the development of the society and the international scientific-and technical-cooperation.

In a streaming-and-structural context the enterprise sustainability is a set of components, the main of which is economic sustainability, which allows it to be realized through the economic potential of the enterprise. In turn, the main structural component of enterprise economic sustainability is its financial sustainability.

The concept of «financial sustainability of the enterprise» is quite complex and multidimensional. This determines the absence of its unambiguous interpretation in the economic literature. The analysis of the existing approaches to the definition of the concept of financial sustainability of the enterprise showed that most researchers identify the financial sustainability of the enterprise with its solvency, financial independence, liquidity, business profitability, sufficiency of financial resources, investment attractiveness. The author believes that all of the above refers not to the internal content of the financial sustainability of the enterprise, but to the signs of its manifestation.

The lack of accuracy of most of the considered definitions of financial sustainability is due to the following reasons: the financial sustainability of the company should not be identified with its absolute solvency, as the predominance of highly liquid asset groups is not an indicator of a stable financial condition of the company; positioning of financial sustainability of the company as a certain state of its liability structure with a predominance of own funds does not take into account the growth of profitability of own funds.

In the framework of the traditional static approach, financial sustainability is usually understood as a certain structure of assets and liabilities of an enterprise, which guarantees its financial independence and solvency. It is reasonable to use the static approach to analyze the current financial condition of the enterprise; in addition, taking into account retrospective data from a number of periods, it allows making a predictive assessment. However, this approach is hardly applied to study the dynamics of the enterprise functioning within the framework of the desired sustainable development trajectory.

An alternative to the static approach is the dynamic approach, which characterizes the sustainability of the enterprise from the perspective of the dynamics of external and internal ongoing processes. It should be noted that the dynamic approach is part of the system approach, as it is used to study the nature of functioning and development of socio-and- economic systems.

The system approach is usually applied to the study of the economic sustainability of the enterprise, and in a number of works – to the study of the financial sustainability of the enterprise. In modern conditions of unstable external environment it is advisable to study the financial sustainability of the enterprise from the position of the system approach. Thus, within the framework of system approach application to the concept under study the following definition is offered: financial sustainability of enterprise is the ability of enterprise under variable external environment to function and develop, achieving the set objectives with a given interval of possible deviations and meet its obligations on the basis of effective formation, distribution and use of financial resources.

The suggested definition of the financial sustainability of the enterprise reflects the main features of the studied concept: the financial sustainability is the main component of the economic sustainability of the enterprise, as it provides the resource base for continuous implementation of cycles of reproduction of economic goods and business development; financial sustainability is a fundamental characteristic of the financial state of the enterprise; financial sustainability of the enterprise is a dynamic concept, in connection with that its analysis is expedient.

Formation of the approaches to the enterprise's financial sustainability management is one of the major economic problems in the conditions of the modern market development, as insufficient financial sustainability becomes the reason of the enterprise insolvency and lack of funds for further realization of its functions, so it should constantly adapt to the changes of its environment. Disruption of the pace of the production development, commercial and economic activity creates the dangers of its effective functioning. At the same time, excessive financial sustainability, in turn, serves as an obstacle to the process of formation of the development capital, increasing the expense of the enterprise also unnecessary stocks and reserves [1].

The problem of formation and functioning of the financial sustainability management system is extremely relevant for enterprises today. In addition, the problem under study is quite complex due to the capacity and a multidimensional content of the concept «financial sustainability», which necessitates a more in-depth study of it. It is also advisable to rely in this context on the economic potential of the enterprise as a prerequisite for

creating competitive advantages, harmonization of resource provision and the economic sustainability. The strategic approach in maintaining the financial sustainability needs an assumed conditioning factor.

The economists consider the improvement of concepts and approaches in the sphere of strategic management of the enterprise development potential from the position of rational modernization base, allowing to provide a long-term development of the enterprise and is strengthening its positions in a competitive environment [5]. Creating of management system of the enterprise's financial sustainability from these positions will promote ordered set of elements, subsystems, processes of financial management, in interaction providing prerequisites of the enterprise development.

As traditional elements of management system are the subject, object, mechanism and result of management (Figure 1).

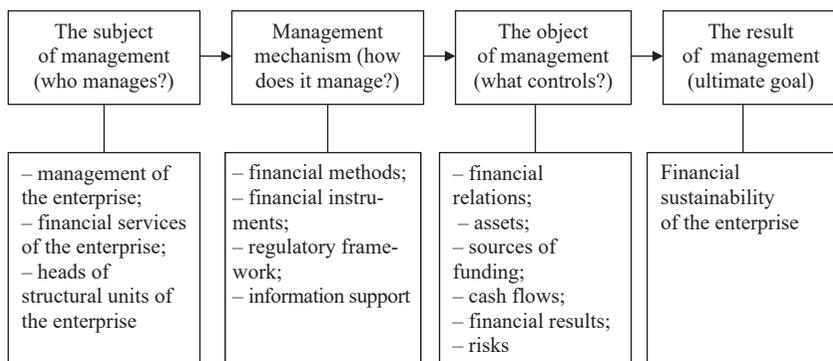


Figure 1. The basic structural elements of the management system of the financial sustainability of the enterprise

In the management system of the enterprise's financial sustainability, the subject of management is the management of the enterprise as a whole, its structural units, as well as the financial services of the enterprise. The object of the management is represented by a set of monetary relations, cash flows, property (assets) of company, sources of its formation (liabilities), financial results and risks of ensuring monetary sustainability. The result of management is a target level of the enterprise's financial sustainability, the achievement and support of which is carried out through the application of the management

mechanism. In fact, the mechanism of management characterizes the way the stated objectives will be achieved, what methods and tools of influence on objects of management should be selected in order to achieve the desired result (a target level of financial sustainability) in the best way.

The sustainability management mechanism is a set of forms, methods and tools of managerial influence aimed at achieving and maintaining the target level of financial sustainability of the company. The structure of the mechanism of management of monetary sustainability of the company is presented in Figure 2.

In financial management, it is traditionally believed that the composition of the financial management mechanism of an enterprise includes four main elements: financial methods; financial tools; regulatory framework; information support. Let us highlight the features of the content of these

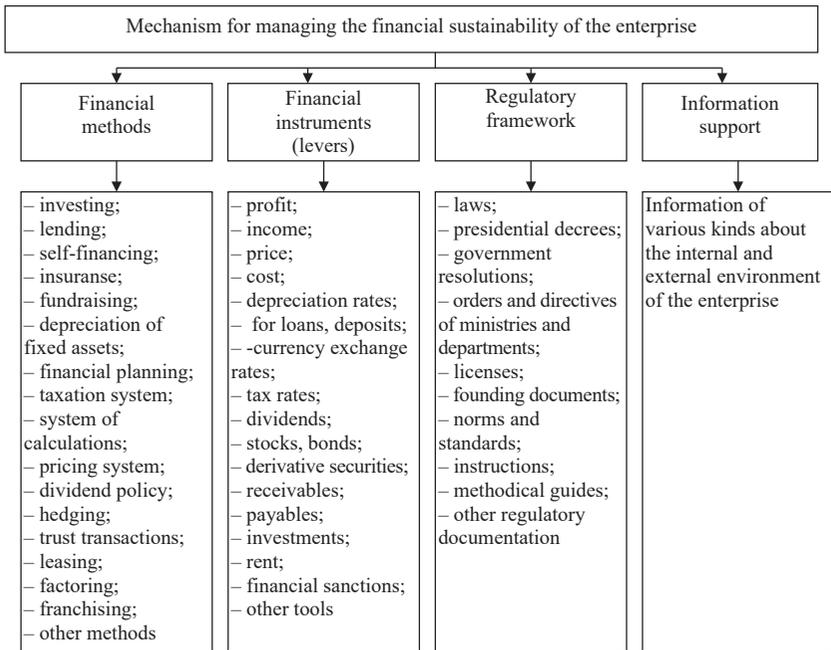


Figure 2. Structure of the management mechanism of the enterprise's financial sustainability

constituent elements in relation to the management mechanism of the enterprise's financial sustainability.

Methods of management of the enterprise's financial sustainability represent specific ways of influence on financial relations, property (assets) and sources of their formation, cash flows, risks and financial results of enterprise with the purpose of achievement and maintenance of target level of its financial sustainability. The totality of these ways of impact is very large and diverse, so they can be differentiated on various grounds. In particular, depending on the object of management distinguish methods of management of non-current assets, current assets (inventories, receivables, money etc.), liabilities, profit of enterprise etc.

From the position of the system approach to the enterprise's financial sustainability management is an integral structure of the system that combines certain elements and the relationship between them. On the basis of the results of the study of the enterprise's financial sustainability from the position of the system approach, the substantiation of its structural framework, the system of management of the enterprise's financial sustainability, given in Figure 3.

There is an objective need to continue the practical development of issues of assessment and management of the enterprise's financial sustainability, further research and preparation of justified suggestions for the formation and effective functioning of the management system of the enterprise's financial stability.

From the position of application of system approach of management is an integral structure (system), which combines certain elements and interconnections between them. The study of management system of the enterprise's financial sustainability in the context of the theory of financial management has established that its basic elements are the subject, object, mechanism, result of management.

In addition, management is a purposeful influence of the subject on the object, carried out on the basis of certain principles and functions of management. It is this managerial influence, which is a process of management, is the «core» of the management system of the enterprise's financial sustainability.

Within the framework of this management system of the enterprise's financial sustainability it is suggested to consider as a process of managerial

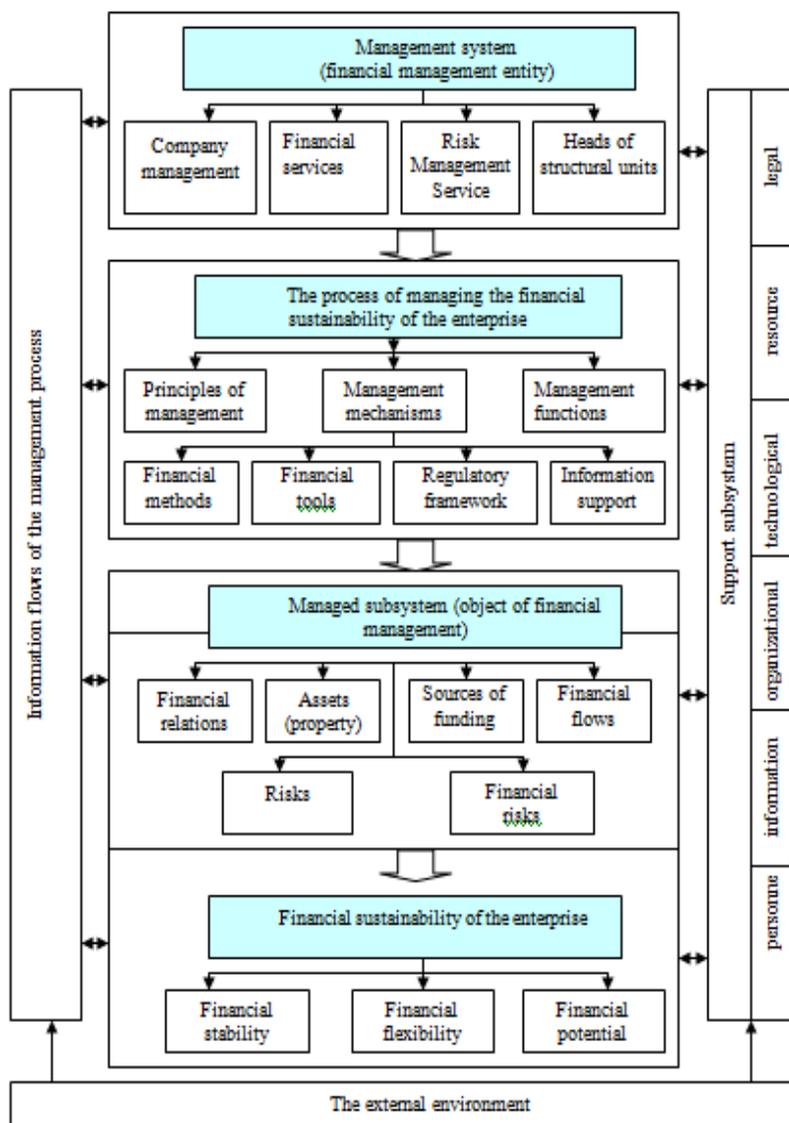


Figure 3. The management system of the enterprise's financial sustainability

impacts aimed at achieving and maintaining the target level of the enterprise's financial sustainability in the external environment, which determines the hierarchy of goals of the functioning of the management system of the enterprise's financial sustainability (Figure 4).

The established system of management of the enterprise's financial sustainability is characterized by a number of features: the general purpose

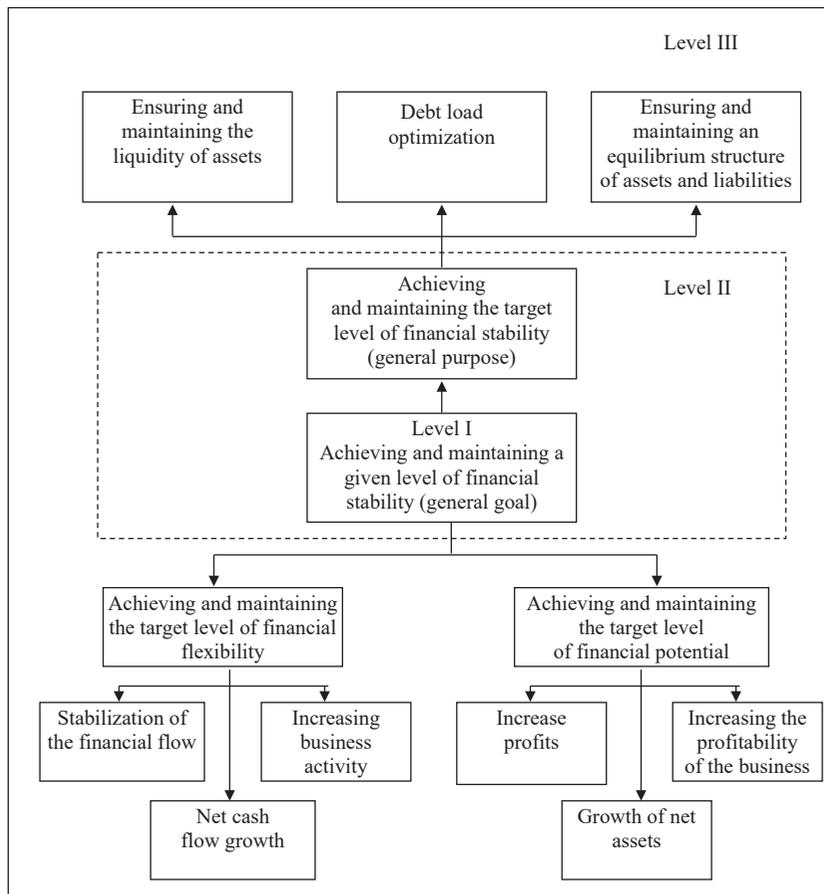


Figure 4. Objectives of functioning of management system of the enterprise's financial sustainability

of the functioning of FMS of the enterprise is to achieve and maintain a given (target) level of financial sustainability through achieving and maintaining the target level of financial sustainability, financial flexibility, financial capacity of the enterprise; the functioning of the management system of financial sustainability of the enterprise is based on an algorithm that provides for the differentiation of its stages; the established system of management.

The developed algorithm of the process of management of the enterprise's financial sustainability based on the differentiation of the stages of functioning of the management system of the enterprise's financial sustainability acts as the basis for functioning of the established system of management of the enterprise's financial sustainability. This method is a logical sequence of stages of management. The initial stage is the assessment of the enterprise's financial sustainability using the author's methodology. The type of the enterprise's financial sustainability that determines a certain stage of functioning of the management system of the enterprise's financial sustainability is diagnosed.

The algorithm of process of the enterprise's financial sustainability management is developed and substantiated on the basis of singling out and differentiation of the suggested stages of functioning of the enterprise's financial sustainability management system: the stage of financial stabilization; the stage of increasing financial sustainability and the stage of maintaining financial sustainability.

The developed algorithm determines the criteria for dividing the stages of functioning of the management system of financial sustainability of the enterprise; in the context of each stage determines: the optimal sequence of managerial impacts (stages of management); composition, purpose and content of the elements of financial management system participating in the process of managing financial sustainability of the enterprise.

The initial stage is assessment of type of financial sustainability (absolutely sustainable financial position, normal sustainability of financial condition of the enterprise, unsustainable financial condition associated with violation of solvency, crisis financial condition). The type of monetary sustainability of the company determines a certain stage of functioning of the management system of monetary sustainability of the company. The stage of functioning of management system of financial sustainability of

the enterprise means its functional state, which determines composition and order of interaction of structural elements and subsystems, participating in processes of restoration, increase or maintenance of the enterprise's financial sustainability.

As an enterprise may be in one of four possible states, there are three stages of functioning of the enterprise's financial sustainability management system: financial stabilization stage (stage of bankruptcy, restoration of financial sustainability); stage of increasing the financial sustainability; stage of maintaining financial sustainability.

Stage 1. Stage of monetary stabilization (stage of bankruptcy, restoration of monetary sustainability). It is initiated if the enterprise's low financial sustainability is diagnosed (unsustainable financial condition associated with a breach of solvency, financial condition). The question of expediency of further functioning of business as well as implementation of bankruptcy procedures is decided.

And also, if there is a possibility of overcoming a crisis situation, but for their implementation it is necessary to make full use of internal reserves of financial and economic and production stabilization of the enterprise. As a rule, these measures are quite stringent and require a thorough review of the organization's strategy, mission, goals and objectives. In case of systemic crisis practically the only way out is a development of an anti-crisis strategy, which includes an implementation of such radical measures as restructuring, business diversification, reengineering, etc. If these fields are successfully realized and acute crisis situation is overcome, further on it is reasonable to implement system of the enterprise's financial sustainability management.

Stage 2. Stage of monetary sustainability increase. It is initiated in two situations: either upon completion of financial stabilization of the enterprise or when the normal sustainability of financial state of the enterprise is diagnosed. This stage of functioning of the enterprise's financial sustainability management system supposes a development and realization of complex risk-oriented measures, directed at achieving a specified level of the financial sustainability. For the effective realization of these measures it is necessary to carry out a continuous control, operative corrections (if necessary), as well as summarizing evaluations and formulation of conclusions.

Stage 3. Stage of maintenance of financial sustainability. It is used in case is an absolutely sustainable financial state is diagnosed. In such

situation, functioning of the enterprise's financial sustainability management system is aimed at support of the achieved high level of the enterprise's financial sustainability in conditions of permanent influence of the external environment factors. This stage of operation of the financial sustainability management system of the company implies ensuring the target level of financial sustainability of the company (which may be at the level of current and somewhat higher) through the use of techniques and methods of the risk management.

In particular, key external factors affecting the enterprise's financial sustainability are identified, and nature and vector of their changes are forecasted. On this basis, financial sustainability risks are identified and assessed. With regard to the most significant risks a list of preventive measures is developed, aimed at their minimization (ideally – neutralization). These measures are implemented, continuously monitored and, if necessary, corrective decisions are made. After the measures are completed, their effectiveness is assessed by comparing the results obtained and the costs incurred. After that a new cycle of the financial sustainability management process of the company with new initial data starts in the system of the financial sustainability management of the company.

Thus, the considered stages of functioning of enterprise's financial sustainability management system significantly differ from each other by stages of management and content of the enterprise's financial sustainability management mechanism. For the purpose of their more complete and complex characteristic let us make a comparative analysis, which is based on the following comparison criteria: management purpose; scope of management stage; subject of management; priority object of management; focus risks; time period of management; main stages of management process; content of management mechanism.

The specific composition of methods and tools of the financial sustainability management and features of their implementation are individual for each company and the financial and economic situation in which it is at the moment.

Thus, the current system of the financial sustainability management of the enterprise is characterized by a number of features: the general purpose of the functioning of the financial sustainability management system of the enterprise is to achieve and maintain a given (target) level of financial

sustainability through achieving and maintaining the target level of financial sustainability, financial flexibility, financial capacity of the enterprise; the functioning of the financial sustainability management system of the enterprise is based on an original algorithm. In the context of each stage, the composition, purpose and content of elements of financial management system participating in the process of management of the enterprise's financial sustainability, including the composition of stages of management and the mechanism of management. The established system of management of the financial sustainability of the enterprise has a risk-oriented nature that appears in each stage of its functioning and involves consideration and management of focus risks, especially in the stage of support of the financial sustainability of enterprise in conditions of a non-sustainable environment.

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