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STRATEGIES FOR MANAGING THE COMPANY'S POTENTIAL TO INCREASE THE ENTERPRISE'S INVESTMENT ATTRACTIVENESS

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Abstract. *The subject* of the study is a complex of theoretical and methodological provisions and practical recommendations on increasing the effectiveness of the formation and use of the potential of enterprise management strategies through the creation and implementation of organizational and economic principles to increase their investment attractiveness. Currently, there is no objective method of managing the investment potential of an enterprise, which is capable of reliably reflecting possible problems of functioning and risks of investing funds in the enterprise. Existing methods of managing the investment potential of a company consider either an insufficient number of factors necessary for evaluation, or an excessive number of factors to be evaluated, as a result of which it is quite difficult for the investor to isolate the necessary information and make the right decision. For such enterprises the increase of investment attractiveness is possible only by qualitative changes in the management and production system, in particular by reorientation of the production process to the needs of the market, which will improve the image of the enterprises on the market and create new or develop existing competitive advantages. *Methodology*. The theoretical and methodological basis of the article consists of general scientific methods: comparison, dialectical development of economic systems, methodology of normative-legal and information-analytical support of the functioning of enterprises, formation and use of the strategy of potential management of the enterprise, creation and implementation of organizational and economic principles to increase their investment attractiveness. The research was based on the synthesis of social science theories, organizational systems theory and corporate finance theory. According to the system approach, the potential of the enterprise was considered as the potential of the financial system of the enterprise. *The purpose* of the article is the development of theoretical, methodological provisions and practical recommendations for the creation and implementation of the strategy of managing the financial potential of the enterprise in order to increase the investment attractiveness of the enterprise. *Conclusion*. The research carried out in the article consists in modernization and optimization of the considered strategies of financial potential management of the enterprise in order to increase the investment attractiveness of the enterprise, identification of an evaluation method that would meet the needs of investors, taking into account the factors significant for the assessment of the investment attractiveness of the enterprise, capable to objectively characterize its advantages and disadvantages and investment risks for investors.

Key words: strategy, potential, investment attractiveness, method, management.

JEL Classification: L21, M19, M21

1. Introduction

In order for the company to have a steady development, it needs an inflow and attraction of external capital. Since each investor is more than interested in the profitability of his investment, he must carefully calculate the risks and profitability of this investment when choosing an investment object. Investors try to minimize the risk of losses and get the maximum benefit from the investment of their own funds, therefore they evaluate the effectiveness of investments, i.e., they consider and evaluate such a concept as the investment attractiveness of a company.

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At present there is no objective method of managing the investment potential of an enterprise, capable of reliably reflecting possible problems of its functioning and risks of investing funds in it. Existing methods of managing the investment potential of the enterprise consider either an insufficient number of factors necessary for evaluation, or an excessive number of factors to be evaluated, as a result of which it is quite difficult for the investor to isolate the necessary information and make the right decision.

Enterprises with below-average investment attractiveness are characterized by low opportunities to increase capital, which is mainly due to inefficient use of existing production potential and market opportunities. Companies with low investment attractiveness can be considered unattractive, as invested capital does not increase, but only acts as a temporary source of support for the viability, without determining the economic growth of the enterprise. For such enterprises the increase of investment attractiveness is possible only by qualitative changes in the management and production system, in particular by reorientation of the production process to the needs of the market, which will improve the image of the enterprises on the market and create new or develop existing competitive advantages.

2. Practical approaches to managing the company's financial potential

In today's economic conditions, investment attractiveness is one of the important factors determining the stable development of an enterprise. Many works of foreign and domestic scientists are devoted to the study of the concept of investment attractiveness, among which it is possible to mention U. Sharp, M. Scott, D. Morris, T. Copeland, Y. Brigham, F. Berger, I. I. Roizman, E. I. Krylova, V. A. Moskvyna, V. V. Bocharova, I. A. Blank and others. Each of the scientists interprets the meaning of the concept of investment attractiveness in a different way, since the meaning of the concept depends on the factors embedded in its basis, therefore, no unified approach to the interpretation of this term has been developed so far. Most definitions of the concept of investment attractiveness boil down to the interpretation of this term as a system or combination of various features or factors of the external and internal environment that affect the state of the object being evaluated, without further specification of these features. Such a general definition is due to the fact that there are many factors that can influence the investment attractiveness of the object. The difference is not only that the authors cannot agree on which factors should be considered significant and which are less important when assessing the investment attractiveness, but also that these factors differ significantly depending on the object of assessment, type of investor, investment goals. Therefore, the assessment of the company's investment attractiveness becomes more and more important and relevant every year.

In the conditions of increased competition between companies, practical approaches to the management of financial potential become more and more important. At the same time, the given direction of management is fundamental in terms of such elements as quality management, development and promotion of new assortment groups, etc.

At present, the concept of investment attractiveness is quite new, having appeared relatively recently in economic literature. The concept of investment attractiveness is used, first of all, for characterization and evaluation of investment objects, comparative analysis of processes and rating comparisons. The analysis of various points of view on its interpretation led to the conclusion that in the modern sense there is no unified approach to the essence of this economic category.

Investment attractiveness of the enterprise is an unconditional factor of effective functioning of enterprises of various organizational and legal forms. A high level of investment attractiveness forms and strengthens visible and hidden advantages over its competitors (Aaker, 2013).

Increasing the efficiency of the enterprise functioning and its investment attractiveness can be carried out at the expense of:

– creation of new factories in the places with the most available raw materials and near the consumers of finished products;
– implementation of innovative projects;
– expansion and differentiation of production scales;
– modernization of production and its technical rearmament with resource-saving and less expensive equipment. The investment attractiveness of the enterprise is a general indicator of the investment object from the point of view of investment profitability, development prospects and the level of investment risks.

In order to make decisions on the implementation of investments, it is necessary to compare the expected positive returns with the actual costs of capital investments. There is no doubt about the practical importance of issues related to determining the investment attractiveness of enterprises, since economic growth and its stabilization are impossible without investments in business entities. Solving this problem ensures the viability of the enterprise as a whole.

In the era of modernization of production and introduction of innovations, investment attractiveness as a possibility of prospects for development of the enterprise under the influence of the investment process is very relevant. The concept of investment attractiveness of an enterprise is a set of performance indicators reflecting the profitability of monetary contributions to the development of the company. The investment attractiveness of the company includes a set of financial and economic indicators that evaluate the external environment of the enterprise, the level of its positioning on the market and the possibilities of results. As mentioned above, there is no definition of the concept of "investment attractiveness" in economics, it contains a large knowledge base and methodology, but it is abstract. For example, a bank and private capital require completely different indicators. First of all, for banks the solvency and speed of return of funds to the enterprise are considered, and for the shareholder the return in the total income of assets from active and planned operation of the enterprise is more important (Asaul, 2008). In general, it should be noted that despite the lack of consensus in scientific works on the interpretation of this concept, the opinions of domestic authors significantly complement each other.

Investment attractiveness means the expediency of investing funds in an enterprise of interest to theinvestor, which depends on a number of factors characterizing the activity of the business entity.

Investment attractiveness of the enterprise is a set of quantitative and qualitative indicators that reflect the efficiency of various aspects of the enterprise, on the basis of which economic relations between business entities are established for effective business development and maintenance of its competitiveness. The literature also considers the dependence of the level of development of the enterprise on the level of its investment attractiveness (Asaul, 2008). One of the conditions for the development of investment activity of the enterprise is the existence of an investment policy. The investment policy of the enterprise is a complex, interrelated and interdependent set of activities of the enterprise aimed at its future development, obtaining profit and other positive effects obtained as a result of investments (Batkovets, 2022).

Investment policy, like investment potential, does not have a fixed terminological definition, some authors tend to the fact that investment policy is a component of the financial strategy of the organization, others believe that a set of interdependent types of business activities more accurately conveys the meaning of this term. In general, the investment policy of the enterprise is an important lever of influence on business activity and a part of the general economic policy of the enterprise. It includes the choice and method of implementation of the most rational ways of investment in order to ensure high growth rates of its constant development, expansion and renewal of its production potential. The investment policy includes the establishment of long-term goals of the enterprise, determination of the most promising and profitable investments of the investors' funds, development of priority directions of the enterprise development, evaluation of investment projects, development and analysis of financial, technological, marketing forecasts, assessment of the consequences of the implementation of investment projects. The investment policy of the enterprise is, in fact, the selection and assessment of the consequences of the implementation of investment projects. Investment policy acts as a tool for the development of the enterprise, its main task is to find the optimal way of using investment resources, the appropriate combination of various sources of financing to achieve a positive effect on the economically suitable directions of development of the enterprise. The investment policy of the enterprise is, in fact, the choice of the strategic path of development of the enterprise, extensive or intensive. The extensive path of development includes the direction of investments to increase the scale of production for the existing technological base. In this way, the company is impressive, has a high level of technological and technical equipment, is ahead in the field of other market participants. By increasing the scale of production, the company increases its profit. This policy is a temporary factor, because if the company wants to maintain a leading position in the market, it must invest money in the search for the most efficient methods of production. Competitiveness on the market is a strong incentive to choose the strategy of intensive development of enterprises. This way of development includes the formation of such an investment policy of the enterprise, in which the major part of the profit or investment is spent on the purchase of the most efficient, productive and new equipment, the use of progressive methods of management, automation and robotization of production (Batkovets, 2022).

In order to make decisions on the implementation of investments, it is necessary to compare the expected positive returns in the future with the actual costs of capital investments. There is no doubt about the practical importance of issues related to determining the investment attractiveness of enterprises, since economic growth and itsstabilization are impossible without investments in business entities. Solving this problem ensures the viability of the enterprise as a whole.

3. Determination of the mechanism of formation of the financial potential management strategy company

Financial analysis as the main mechanism of ensuring the financial stability of the enterprise and assessing its attractiveness for potential investors is a central link in the method of determining investment attractiveness (Asaul, 2008). Its main purpose is to study the problems arising in the assessment of the financial attractiveness of an enterprise for an investor. In this regard, aspects of the analysis of the financial condition of the company are considered, the level of profitability, creditworthiness, efficiency and financial stability are assessed.

The main problem at the moment is the lack of a holistic view of the system of qualitative and quantitative factors aimed at determining the overall investment attractiveness of the enterprise.

The main factors hindering the creation of a favorable investment climate include the following:
– infrastructural limitations that prevent the creation of high-tech, energy-intensive production facilities characterized by high labor productivity;
– lack of regional development institutions integrated into international investment processes;
– insufficient use of the current advantages of the economic and geographical position;
– the low level of liquidity of fixed assets of most organizations and, as a result, the impossibility to actively use investment mechanisms, such as long-term loans;
– insufficient development of the leasing market infrastructure;
– asignificant predominance of the consumed portion of income over the saved one, a high indicator of the average propensity to consume;
– "weakness" of the budgetary base of the regional budget (Aaker, 2013).

The mechanism of formation of financial potential management strategy is divided into a number of stages (analysis and selection of priorities from the general strategy of development of the enterprise in formation of financial potential management strategy; development of target guidelines), which are based on the following procedures: analysis and forecasting of the financial and economic state of the external environment, analysis of the internal environment of the enterprise, identification of strengths and weaknesses; adaptation to environmental conditions; determination of the main directions of formation, accumulation, distribution of resources and search for new sources of credit financing; formation of elements of the strategy of management of financial potential (planning and control of financial flows and resources, organizational and legal registration, selection of financial instruments, analysis and assessment of financial risks, tax planning); development and implementation of the strategy of management of financial potential within the framework of strategic plans; analysis and control of the strategy of management of financial potential; use of the results of the analysis to determine the strategic directions of development of the company.

It should be noted that the specified elements of the strategy of financial potential management ultimately determine the competitiveness of any enterprise that aims to achieve a positive economic effect. The achievement of this goal should be ensured in the long term by the management system as a whole (Koll, 2022).

Basically, the strategy of financial potential management should be defined as a system of goals and prospective actions based on the creation and implementation of financial management approaches and tools. This system is a set of plans for obtaining, accumulating and distributing financial resources.

In the most general form, the definition of the financial potential management strategy consists of three components: the use of bank financing instruments, the organization of a bond loan and the organization of an additional issue of shares.

Each of these instruments has known advantages and disadvantages in relation to each other. It should be noted that the potential ability to use a particular type of financing is largely determined by the stage of development of the business entity. Thus, in the initial stages of the company's formation, the company is characterized by a lack of positive cash flows and, accordingly, a lack of opportunities to service debt obligations. Therefore, until the opportunity to fully utilize bank loans or organize bond loans, the main form of financing is equity.

At the same time, debt financing is more attractive for established enterprises because it does not dilute equity. At the same time, in a number of cases (for example, business diversification, creation of vertically integrated structures) it may be necessary to create new organizations (legal entities) within the framework of the emerging holding, including on the principles of project financing.

It is in the combination of these forms that the possibilities for building an effective strategy for managing financial potential are most fully revealed.

From the above set of financial instruments each company can develop its strategy of financial potential management. However, it should be taken into account that all financial market instruments are dynamic and constantly developing, therefore one of the most important tasks for business entities is timely monitoring of financial market development trends and timely use of economically beneficial strategies (Blank, 2004).

Both quantitative and qualitative approaches and methods should be used in developing an organization's development management strategy. The need to combine quantitative and qualitative methods creates the problem of their organic combination in the process of building a strategy. At the same time, neither quantitative (amount of profit, interest rates on loans, etc.) nor qualitative (level and criteria of financial condition, availability of collateral, its liquidity, etc.) characteristics can be omitted. In this regard, one of the main tasks of the enterprise is effective management of the process of formation, use and forecasting of the need for internal sources of financial resources.

One of the internal sources of own funds formation is the net profit of the enterprise, which is a part of own funds and ensures the increase of equity and, consequently, the increase of the value of the enterprise.

The most justifiable criterion of the absolute effectiveness of the management of the financial potential of corporate education should be considered the indicator of net cash income, calculated as the amount of profit remaining at the disposal of the enterprise (net profit) plus depreciation deductions based on the cash flow method.

It should be noted that the content of each element of the strategy of management of financial potential depends, first of all, on the constantly changing macroeconomic situation, and, in fact, the elements of the strategy of management of financial potential are specific directions of the general strategy of development of the enterprise. It is generally accepted that the ultimate financial goal of a company is to increase its market value for the benefit of its shareholders. The cost and investment attractiveness is determined by the financial condition of the organization, which in turn is largely a consequence of the chosen market strategy, the efficiency of the use of material and labor resources, production capacities (operational activity), as well as their expansion (investment activity). The internal tasks of financial management consist in providing financial resources for the company's operating and investment activities, as well as forecasting its future needs and financial position. Thus, an effective internal financial policy directly determines the growth of the company's value (Drucker, 1995).

The financial potential not only determines the ability of the enterprise to attract and rationally use internal and external financial resources, but also realizes the most important function – reproduction of the production capacity of the enterprise. Therefore, increasing the company's income expands the internal sources of investment, increases the reliability of investment and attractiveness of the company for external investors. As the company's production capacity grows, its financial potential increases, which leads to an increase in the competitiveness of the company as a whole. That is, the financial potential is characterized by the financial independence of the enterprise, its financial stability and creditworthiness (liquidity).

Managing the financial potential of an enterprise requires deep systemic knowledge in the theory and practice of making effective management decisions. This statement is based on a systemic view of the management of the financial potential of an enterprise, that is, on its inherent signs of systemicity (Braun, Starkbaum, 2022).

It is known that the study of complex systems includes their division into separate components. The elements of the managed system are: management of own financial resources, management of borrowed financial resources, management of involved financial resources. Thus, the management of the financial potential of the enterprise is a purposeful managerial influence on financial resources with the purpose of improving the financial indicators of functioning, achieving the financial well-being of the enterprise and increasing the level of its financial potential, aimed at updating and development of production on an innovative basis for the production of competitive products.

4. Conclusions and implications

The main point of business management is the timely adoption of all necessary management decisions. The discrepancy between the decisions taken and the needs of the enterprise may lead to disastrous consequences, including its liquidation. The key point of the general concept of the effectiveness of the functioning and development of the enterprise is the development of an investment attractiveness strategy, which is necessary as a logical conclusion of any deliberate action. The strategy of investment attractiveness of the enterprise is based on a comprehensive approach to the assessment of the economic condition of the enterprise, its position in the market, the use and adoption of operational management decisions in the current and future work of the enterprise.

In the conditions of the economic crisis, special attention should be paid to the management of investment potential to increase the investment attractiveness of the company as the most complex and responsible link in the whole management system. Investment attractiveness is a universal indicator that depends on the method and criteria of its evaluation. Due to the lack of a unified methodology, it is not possible to obtain an unambiguous result. However, there is no doubt that this indicator is important for potential investors. Therefore, due to the lack of own resources, companies need to monitor the level of their investment attractiveness in order to attract additional investments. In order to make a decision on the implementation of investments, it is necessary to compare the expected positive income in the future with the cost of capital investments. There is no doubt about the importance of issues related to investment potential management for increasing the investment attractiveness of an enterprise, since economic growth and stabilization are impossible without investments in business entities. Solving this problem ensures the viability of the enterprise as a whole.

Constant monitoring and adjustment of the investment attractiveness of the company allows to attract investments in the required amount, improve the efficiency of the management system, profitability of operations, as well as implement business planning and budgeting processes, control the achievement of the planned result. The development and implementation of these measures will allow investors to consider the company as an attractive investment object capable of effectively absorbing investment funds and generating the required level of income. Implementation of the strategy and a set of measures to increase the investment attractiveness of the company will allow to accelerate the process of attracting additional resources, increase their volume and also reduce their cost.

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