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OBJECTIVES, TASKS AND PRINCIPLES OF EFFICIENT MANAGEMENT OF ENTERPRISES

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ABSTRACT--*The article examines in detail the existing approaches to understanding the specifics of corporate profit management, the structure of profit management, the views of economists on profit management, the process of the principles of profit management in enterprises.*

Keywords--*Profit management, management process, production, profit management system, diversification, personnel management, logistics, financial activities, operating activities, investment activities.*

I. INTRODUCTION

Recently, issues related to profit management have become increasingly relevant, both theoretically and practically. Profit describes the financial performance of an organization over a period of time and is one of the key indicators that external contractors and owners make decisions about a company. At the same time, it should be borne in mind that the benefit serves as an accounting indicator calculated in accordance with approved accounting standards. One of the fundamental principles of accounting is the use of the accrual method - which makes it necessary for company managers to make decisions to determine the main elements of profit (income and expenses), as well as the timing of their assessment.

Such freedom of action may allow for the purpose of influencing profit indicators and committing fraudulent acts with a specific personal purpose. Manipulation of accounting indicators can seriously damage a company's reputation and cause the company to fall in market value to its owners. Thus, a number of studies show that the number of companies whose official conclusions confirm the existence of profit manipulation has been published has decreased.

Business events, as well as major financial disputes involving companies that led to the bankruptcy of these organizations, have also been observed in recent history. Such disputes include cases of fraud detection in the American corporations Enron and WorldCom in the early 2000s. The financial situation in these companies, i.e. the decline in profitability, has been observed as a violation of accounting ethics associated with the abuse of corporate interests by managers by artificially manipulating the maximum rate of return. Given the above, on the one hand, it is important to analyze the basic methods and tools of profit management, on the other hand, to develop tools that limit the opportunities for profit management.

Profit management can be defined as a set of methods, forms and methods of targeted exposure to an object to achieve a set of strategic and current objectives to maximize profits in the context of minimal entrepreneurial risk. A detailed study of existing approaches to understanding the specifics of enterprise profit management

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suggests that this area of research is currently much more controversial. In particular, I.A. Blank argues that profit management is the process of developing and making management decisions on all key aspects of its formation, distribution, and use. A similar view is supported by the Ukrainian economist VV Khuda: “Profit management is a purposeful, systematic process of preparing, evaluating, selecting and implementing alternative management decisions on the formation, distribution and use of a particular commercial enterprise ”He explains. By formulating the essence of profit management in this way, the authors focus on the process of formation and distribution of profits, that is, the process of developing and making management decisions to achieve the maximum final result of the enterprise in the short term.

The system of profit management proposed by VI Blonskaya and PP Adamovich takes into account the tactical and strategic aspects of profit. In their view, it is necessary to understand the construction of a management system that takes into account the tactical and strategic aspects of management, aimed at improving the final results of the enterprise, each of which plays a separate role, providing a mechanism of joint action.

Of course, the main purpose of managing the company's profit is to maximize and optimize the absolute value of net profit and to ensure the stability of its formation over time. Also, in the face of negative trends in the development of the national economy, the use of forecasting and accounting elements for tactical, strategic approaches to management is a positive development.

The importance of the profit indicator here determines its role in the management system of the enterprise. This situation is manifested by changes in volume as a result of any decisions in the organization of the sales process, material and technical development of the enterprise, expansion and diversification of marketing activities, personnel management, logistics, reorganization and reorganization of the enterprise, as well as financial management.

Under such conditions, it can be observed that the process of profit management as a multifunctional synthetic indicator is becoming the most important process that requires continuous improvement and adaptation to a changing environment.

Before highlighting the goals and objectives of profit management, we refer to the principle structure of the management goal. It is known that the strategic goal of management is to increase the value of the business, to maximize the value of the capital of the owners. One of the financial conditions for achieving this goal is to ensure a balance of cash flows that is optimally consistent with the financial and economic activities. The tactical task of financial management is to ensure financial balance in the current continuous and reproductive process. Accordingly, profit management can be systematized as follows: profit management is the process of making decisions on the formation, distribution and use of profits in the context of increasing the profitability (profitability) and the optimal level of expected risk probability.

The following figure illustrates the main directions of profit management, which in turn is the first step in managing the profit formation process. The process of profit formation incorporates the functional elements of cost management (A), which is its source (A) in revenue management and (V) cost management, which has a reducing role in profit formation (Figure 1).

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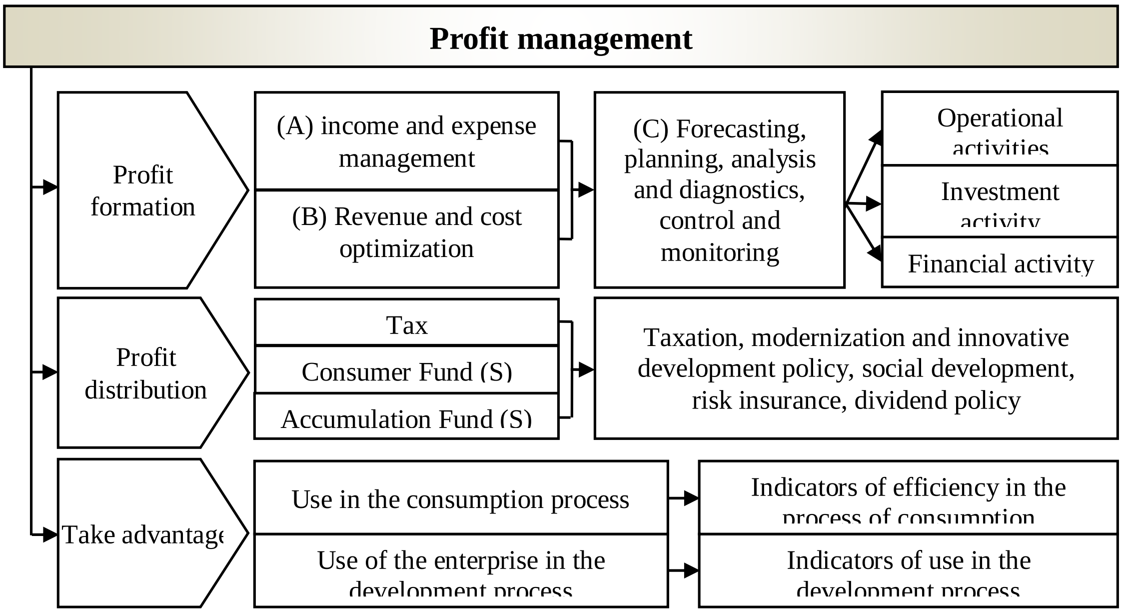

Figure 1: The structural structure of profit management

However, it should be noted that the reducing role of costs in the formation of profits is one-sided. Because expenses form the material basis of income generation. Maximum return under minimum cost conditions, which is a factor of intensive development, is a financial result of both income and cost optimization policies. Based on a number of functional elements of profit generation process management (S) it is possible to systematize operational, investment and financial activities in terms of activities. Such systematization creates opportunities for decision-making on the effective management of the process of formation of profits for certain types of activities. Each type of activity plays an important role in total expenses, as well as in the formation of income, which is a source of profit. In particular, income and expenses on operating activities (cost, current expenses) form the material basis for the formation of operating profit. Income and expenses of financial activities as a result of effective management of financial assets form the material basis for the formation of profits from these activities. Ensuring quality maximization of profits requires, first of all, the search for reserves for each type of activity.

According to Professor I.A. Blank, maximizing it at the expense of operational activity in profit management provides promising development. Because material benefits are created in the process of real production, financial activity is, first of all, the formation of financial sources to ensure the continuity of the main activity. It is acknowledged that large-scale mass financial speculation as a result of operating away from operations is a major factor in the crisis. In our opinion, financial speculation, which represents a high level of accumulation of available financial resources in current assets in working capital, primarily has a negative impact on current asset turnover. In addition, the low share of inventories involved in operating activities in the structure of current assets contributes to the increase in financial and operational needs for normal operations and a decrease in the efficiency of basic production activities. This is due to a number of factors:

First, the efficiency of production activities in enterprises. A lower return on invested capital than the average return on a capital market increases the risk of increased entrepreneurship. Therefore, the rate of return on capital advanced to production (determined by the rate of return) as a key criterion of profitability management should not only compensate for the value of capital expressed in terms of a decrease in dynamic purchasing power, but also cover their inflation losses.

Profit distribution management must ensure the optimal distribution between taxes and personal income components (consumption and accumulation) at the same time: public, corporate and individual interests. In particular, the distribution of profits should provide the amount of internal financial resources necessary for business development in a strategic context. This is because one of the main indicators of increasing investment attractiveness for strategic development is the financial potential of the business, in which economic profitability and its higher than average value of capital in the country's capital market play a central role. In addition, the capitalization of profits into the production process is a key factor in maximizing the market value of enterprises. But is profit maximization a key factor in the competitiveness of enterprises in modern conditions? Let us consider a legitimate question.

The goals and objectives of profit management are systematized, taking into account the process of profit management and the requirements placed on it.

The main purpose of profit management is gypsum communication with the main purpose of business management, which is based on a complex management system in a single context. With the development of the theory of profit, there is a change in the approach of economists to its management. Professor I.A. Blank argues that the genesis of economists 'views on profit management is based on 3 main approaches.

Proponents of classical economic theory (A.Smith) argue that the main goal of economic activity of enterprises is to maximize profits and ensure the maximization of social welfare (overal economic welfare) (Figure 2). Initially, this theory was systematized by A. Cournot and developed by representatives of neoclassical theory. It is recognized that this goal can be achieved by ensuring a balance between marginal revenue and marginal cost.

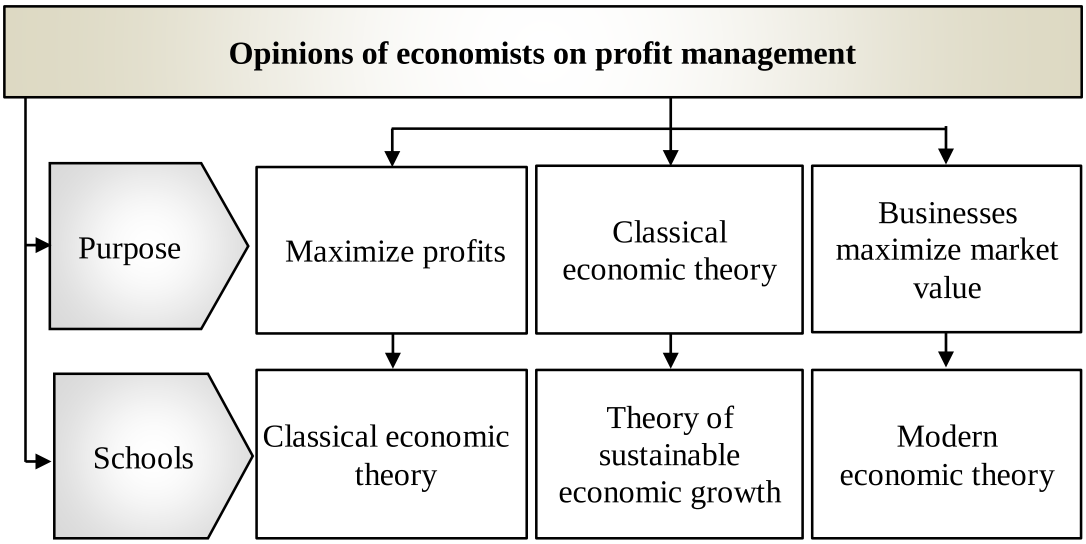

Figure 2: Scientific views on profit management in the paradigm of economic theory

Naturally, the main goal of business management is to maximize profits, while at the same time harmonizing with the profit management system. However, the problem with these theoretical views was that maximizing profits does not always ensure sustainable economic growth. However, high levels of profit can be spent entirely on current consumption and deprived of a source of private financial resources for the next stage of development. A high level of income during economic activity is directly proportional to an increase in high-level entrepreneurial risk, which simultaneously represents its probable mathematical expectation. Therefore, maximizing it in profit management does not always serve as the only condition for sustainable development of the enterprise in the current and strategic context.

Second, according to the theory of sustainable economic growth, the main goal of economic activity is to ensure financial balance in the future development of business entities. In their view, a management system aimed at ensuring financial balance will ensure the balanced development of business entities without various risks. Thus, economic development aimed at minimizing entrepreneurial risks limits the ability to increase the rate of return (profitability) at a high level by attracting all resources. Moreover, the mechanism for implementing this goal is not sufficiently linked to the conjuncture of financial and commodity markets, which affects the parameters of profit formation. In this regard, achieving financial balance is a complex process where economic activity is also the main goal of profit management.

II. METHOD

Third, in modern economic theory, the main goal of profit management is to maximize the market value of enterprises that provide an increase in the value (wealth) of owners' capital. This goal is promoted by modern economists as the main goal of financial management, which in turn is the main goal of profit management. To this end, the time factor, income and risks are expressed, and the development of economic activity is integrated into the system of profit management in the common interests of owners, government and employees.

According to Professor TM Kovaleva, the main purpose of profit management is to maximize the value (wealth) of owners' capital in the current situation and in the future. This goal recognizes that the interests of the owners are simultaneously ensured in harmony with the interests of the state and economic entities. However, it should be noted that maximizing the value of owners' capital (wealth) in profit management does not allow enterprises to maximize market value. This is because the maximization of the value (wealth) of owners' capital can be achieved through an active dividend policy at the expense of profits obtained as a result of financial and economic activities. But maximizing the market value of enterprises depends, on the one hand, on an active dividend policy and, on the other hand, on the processes of recapitalization of profits, which are the basis for future development. Especially in the context of the so-called "principal agent problem" between existing owners and managers in modern corporate governance theory, the main goal of profit management in the financial services system is not only to maximize the value of owners' capital but also to maximize the market value of the company. Hence, the main goal of profit management is to maximize the market value of business entities in the current and future periods. Effective realization of this goal requires the formation of an algorithm of a number of tasks and ensuring its optimal execution.

It is realized by optimizing the efficient use of available resources used for reproduction in enterprises. While profit is a purely financial result of financial and economic activity, a management system aimed at optimizing it in terms of quality and quantity requires the formation of a management system that ensures the optimal use of available resources. The system of profit management aimed at the realization of this task requires an integrated management system in combination with the system of financial results management, which includes the formation of the optimal composition of the capital of enterprises, the system of effective investment of potential capital in assets.

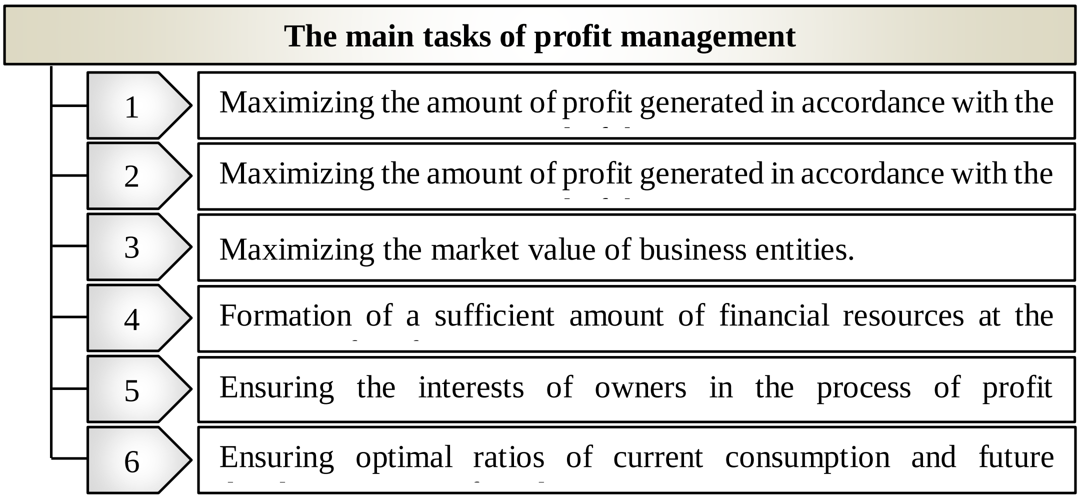

Figure 3: расм. Фойдани бошқаришнинг асосий вазифалари тузилмаси

As can be seen from Figure 3, the effective performance of the task of ensuring the optimal ratio of the possible level of risk in accordance with the formed profit is to ensure a moderate level of financial stability of the enterprise at the optimal level of risk representing its probable mathematical expectation. Risk management is the process of minimizing various losses as a result of making management decisions aimed at reducing the likelihood of the formation of an unexpected negative outcome.

Hence, risk optimization in profit management creates opportunities to increase its probable mathematical expectation. But not the possibility of direct optimization of profits. Although the “Risk-Income Dilemma” has been studied by most economists in the modern economic literature, there is no clear definition of a single approach to it in terms of content. Polysemantic descriptions of risk coverage are given. We can also see that risk management is defined as the art of making and multiplying income in an uncertain economic environment. Hence, even in this definition, the risks are related to the probable expectation of the planned return.

Maximizing the market value of business entities is a multifactorial phenomenon, and among the factors influencing it, effective profit management is also one of the factors that have a significant impact. This is because the impact of a company on profit management on maximizing market value is also a factor in the qualitative and quantitative intensification of operating and financial activities. On the one hand, this task is able to pay the required amount of return on invested capital to the owners of the enterprise, and this figure should not be lower than the average return on capital markets, because in such a situation should cover high business risk associated with specific features of the enterprise.

In the future, it is necessary to ensure the formation of sufficient financial resources at the expense of profits in accordance with the development goals of the enterprise. Consequently, since profit is the main internal source of formation of financial resources of the enterprise, its size determines the possibility of creating production development funds, reserves and other special funds that will ensure the future development of the enterprise. At the same time, profits should play a leading role in self-financing for enterprise development.

Ensuring a steady increase in the market value of the enterprise. This task is designed to increase the well-being of the owners in the long run. The growth rate of market value is mainly determined by the level of capitalization of profits earned by the company during the reporting period. Based on the conditions and tasks of economic activity, each enterprise determines a system of criteria for optimizing the distribution of profits in capitalized and consumed parts.

In the current situation, the most important of the internal sources of satisfying the financial interests of the state, owners and employees in the financing of the activities of economic entities is the benefits they receive.

All the functions of profit management considered, although some of them are multifaceted, are closely related to each other (e.g., maximizing profits while minimizing risk; ensuring an adequate level of satisfaction of the interests of business owners and employees; sufficient profit margins to increase assets) supply, consumption, etc.). Therefore, it is necessary to mutually optimize individual tasks in the process of profit management.

The process of profit management in a market economy is based on a number of principles, which are systematized in conjunction with the strategy of maximizing profits as a result of intensive development as one of the main factors of financial and economic efficiency. We will try to analyze this through the following figure (Figure 4).

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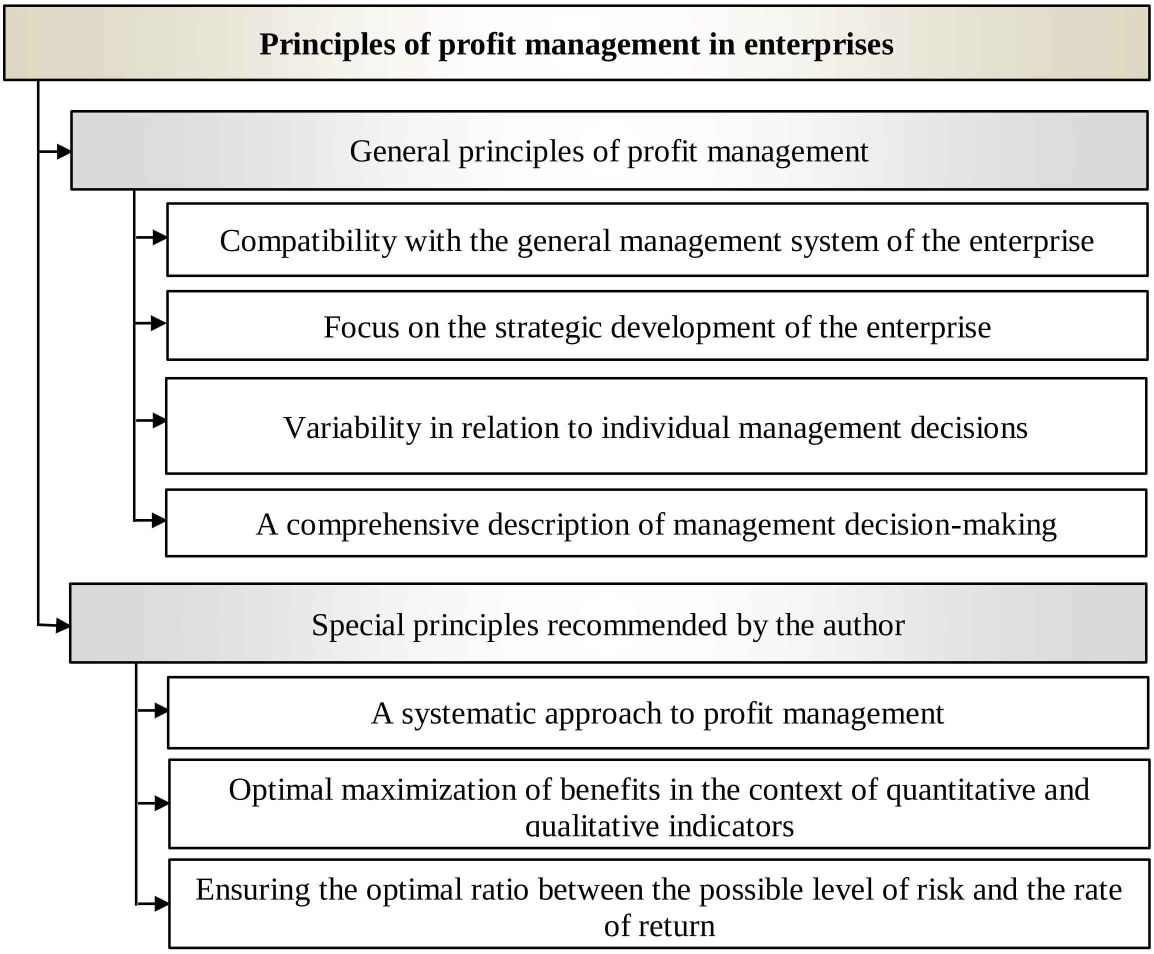

Figure 4: Principles of profit management

III. DISCUSSION

The process of profit management must comply with a number of principles based on the requirements of a market economy. The process of analyzing the principles of corporate profit management allowed to explain the following.

The first of the accepted principles is to look at profit as a separate management process, as well as to take into account that such an approach is a process directly related to the whole complex of financial management in the enterprise. This factor should be taken into account in understanding the process of income generation, distribution and use. At the same time, profit maximization should in no case contradict the principles, laws and interests of the market economy and consumers.

Focusing on the strategic goals of enterprise development includes effective management in revenue generation. Therefore, in order to avoid existing and potential conflicts between projects, for the strategic purposes of the organization, it is always necessary to make decisions aimed at obtaining legitimate income, regardless of the expected level of income in the implementation of the project.

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IV. CONCLUSIONS

This is because the desire to maximize profits, which is contrary to the long-term goal of enterprise development, can destabilize the entire organization and cause it to lose its ability to profit in the future. The variability of individual management decision-making approaches involves the formation of management decisions in the field of income management, which take into account alternative options for the development of the economic situation. Thus, when any factor affecting the level of income changes, management decisions should be adapted to the changes and, if possible, reduce the negative impact of the changing environment of the enterprise on the level of profitability. The last part of the adopted principles is a complex feature in the formation of management decisions - the relationship between the management decisions made on profit management and the ultimate goal of profit management. This is true because not all transactions are profitable, and some can lead to a lack of financial resources and losses. However, the results of all complex operations should be beneficial. This is the basis for effective management of positive financial results.

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