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THE FORMATION OF THE ENTERPRISES INVESTMENT APPEAL

The article concerns the problem of investment appeal compounds, approaches to its value. There are groups of actions which can help to raise the investment appeal of the enterprises.

Keywords: investors, investment appeal, investment highlights, approaches to its value, the group of actions which can help to raise the investment appeal of the enterprise.

Nowadays the most important problem is consolidation and effective use of investments for effective functioning of the enterprise in modern conditions.

The encouragement of investment activities, the elaboration of clear investment strategy, the determination its prior ways of development, consolidation of all investment sources is the most important condition of permanent and stable enterprise development.

The most important factor stimulating the investment activities is the state warranty of investors' rights, the defense of the investments and customs and tax incentives for the subjects of investment activities.

There are some main legal acts which regulate relationships in the filed of investments in Russia:

- Federal Law of the 25th of February 1999 year № 39-FL “On investments acts in the Russian Federation carrying out capital investments” (redaction of 24.07.2007);

- The Law of RSFSR of the 26th of June 1991 year № 1488-1 “ On investment acts in the RSFSR” (redaction of 30.12.2008);

- Federal Law of the 9th June of 1999 year № 160-FL “On foreign investment in Russian Federation” (redaction of 29.04.2008);

- Federal Law of the 5th of March 1999 year № 46-ФЗ “On protection of rights and legal investors' interests on the securities market” (redaction of 19.07.2009);

- Federal Law of the 29th of October 1998 year № 164-FL “On financial lease” (redaction of 26.07.2006);

- Federal Law of the 22 of April 1996 year № 39-FL “On the securities market ” (redaction of 27.12.2009);

- Russian Federation President Decrees, which also define the legal framework of investment financing;

- The Russian Federation government decrees control investments processes.

Unfortunately, the law system of the Russian Federation is not perfect. Different legal norms which regulate the same actions contradict to each other; there is no strict hierarchy of regulatory legal acts. As the result the planning of investment activities has difficulty as the consequences of the particular solution and its expenditures are unpredictable.

Because of the global financial crisis a lot of Russian enterprises have faced several problems which reduce investments into the enterprises for their further

development. We can name some deterrent factors which restrain Russian activity:

- high level of the inflation;
- high level of taxes;
- incomplete financial support of the state investment programs;

- low effectiveness of investments;
- lack of own money to renovate the main capital and difficulties to get the commercial credits because of unstable financial situation and high interest rates;

- high investment risk;
- paucity of the first-rate borrowers;
- low quality of offered investment projects;
- unstability of Russian market;
- complicated current situation at enterprises, most of

them are in bad financial conditions, inability of top-managers to demonstrate their potential to the investor and show the possibilities to overcome crisis and achieve the revenue growth, or other reasons.

The lack of own funds to finance the investment activity of the enterprise often makes Russian companies to attract foreign investments in current situation.

Nowadays there are several ways of making investments in the enterprise from abroad: investments into the stock capital and granting loans.

1. The investment into the stock capital of the company (direct investment).

There are several main ways to attract investments into the stock capital:

a) Strategic investment – this is the investor's acquisition of the major company stocks. As a rule, the final stage of strategic investment is the takeover of the company or the merger with the investor's company.

Big corporations and enterprise-leaders are the main strategic investors of this branch. The main aim of the strategic investor is to get an access to the new resources and technologies and to raise their own company effectiveness.

b) The investment of financial investors – this is the acquisition by the professional investor or a group of investors the blocking not major share of stocks for further selling this share of stocks in 3–5 years (mainly venture fund and share fund) or placing shares of the company on the securities market for broad spectrum on investors (in this case there may be either an enterprise of any sphere or an individual investor). In this case an investor gets his main income from selling the major share of stock (in fact for withdrawing from the business) [1].

From this point of view, the attraction of financial investments is useful for development of the company; to increase the sales volume, to modernize and expand the production, to raise the effectiveness of work which will result in increasing the company's value and, accordingly, an investor capital.

2. Investment in the form of granting loans.

The main ways – loans (bank or trade), bonded debts and leasing. The main aim an investor is to get the interest from the investment capital with current rate of risk. Therefore this group of investors is interested in further development of the enterprise from the point of view that the company can fulfill the obligations of interest payment and returning the principal debt.

The necessity of attraction investments for further development and forming business competitiveness binds the receiving enterprise to be attractive for investors.

Because of this reason, there exists a concept of the investment attractiveness; this is the main indicator of the enterprise opportunity to attract the potential investor.

The clearest definition of the investment attractiveness is given by L. Valynurova and O. Kazakova. They understand this definition as all subjects, properties, means and possibilities to have the potential demand for investment [2]. This definition is fuller and takes into consideration the views of any member in the investment process.

There are other points of view as L. Gilyrovskaya's, V. Vlasova's and E. Krylatov's and others. They give the definition of investment attractiveness as effective use of own or borrowed capital, solvency and liquidity analysis. The same definition is the structure of own or borrowed capital and its distribution between different kinds of property and also their effective usage [3; 4].

According to Mogzoev's approach the investment attractiveness is determined by the inner and outer state of investment unit (organization). The inner environment is determined by structure, staff, techniques and aims of the enterprise. The inner environment of the investment unit has its own characteristics which determine its effectiveness and investment attractiveness. However it is involved into the outer environment, the main elements

determine the current status of investment climate and influence on investor's decision. The distinctive future of these components is its objectiveness so the environment doesn't depend on investor's estimation and it is determined by social and ecological or other characteristics [5].

The most common and abstract definition of the investment attractiveness comes from its meaning – advisability investment into the business or commercial enterprise. It is interesting that investors and organizations put into the meaning criteria which they consider the most interesting and demonstrative.

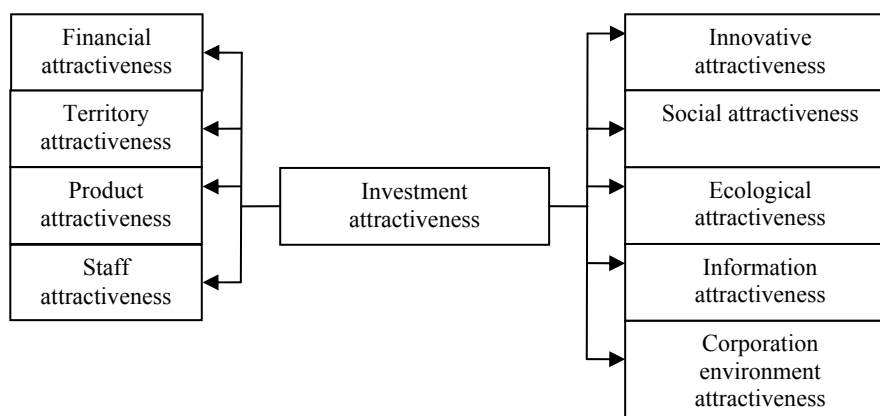
Due to this fact that the enterprises can attract investors of different types, the investment attractiveness is the complex of intercommunication which makes the company attractive for everyone from all sides.

To understand how to create investment attractiveness, let us consider what makes a company attractive to investors and how the investment attractiveness is assessed.

It is important to know that there is no unique approach to estimate the investment attractiveness of the enterprise. Every investor uses his own methods and approaches. It is known that the estimation of the investment attractiveness is the difficult process where the mathematical calculation is only one of the methods.

The features of investment analysis should be completed by classification of some investment attractiveness kinds which are systemized in the figure.

Firstly, the investor is usually interested what is produced at the enterprise and where it is situated also its management and staff. Therefore the initial component of the investment attractiveness is staff, territory and product attractiveness. The main component of the investment attractiveness is financial attractiveness because it reflects the results of its activity (capital productivity, profitability) and financial stability (liquidity index of ample resources). The innovative, social, ecological and informative attractiveness of the enterprise and also attractiveness of corporate culture are viewed as development perspective for investors.



Classification of the investment attractiveness

There are several methods of the investment attractiveness assessment:

1. The market approach is based on the analysis of outer enterprise information. This allows to assess the changes of market share price and also the amount of paid dividends by following methods:

- market value added on share capital (MVA);
- total share revenue on investment into the enterprise (TSR);
- middle value of the capital (WACC);
- capitalization attitude towards capital (MBA).

The method can not be used towards companies which shares are not on the securities market.

2. Accounting method is based on the analysis of inner information and uses the mechanisms of economical activity. The main indexes which are used for this assessment are taken from accounting data of the company:

- net profit;
- cash flow;
- value of assets;
- the proportion of the company's profit for the period to the size of the share capital;
- share added value;
- rate of profit to asset of the company;
- interest coverage on bonds and dividends on share of company profit;
- index of payment ability and liquidity which is accounted due to the payment of the credit;
- liquidity ratio (fast it is relationship of floating funds to short terms commitments and current – the final production, unfinished production and its supply are included in numerator);
- evaluation of business activity;
- evaluation of effective usage of property (index of cost effectiveness, main funds and own funds);
- evaluation of funds statement, estimations and other active assets (bill receivable) is done to reveal the cause of raising the bill receivable, mainly expired or fail, diversion of funds into banking turnover and etc., also to reveal the other resources to improve calculation;
- others.

The method has several disadvantages:

a) financial indexes can differ from current state of the company. For example in data reporting there can be loss or reduce of the revenue it can cause the negative investment attractiveness of the company due to the methods. If the company invests money into new perspective project this fact can attract the potential investors;

b) the method does not take into consideration that using different methods of amortization, the evaluation of property cost, allocations to research and development, exchange transactions, acquisition of assets, real loss can transform into real profit and visa versa;

c) data are shown in the accounting report reflect the financial state of the company only at the definite time but it does not include other periods of time.

3. Compound method can combine inner and outer characteristics of the company. Therefore this method is more correct from the investment attractiveness point of view [6; 7].

The main indexes of stock market and investment managers are:

- ratio of company capitalization to EBITDA (the revenue of the company before taxes, credit interests and amortization);
- ratio of market capitalization to revenue (PSR);
- index comparing the share price to the revenue of it (PER).

The big companies should use other methods for investment attractiveness assessment than smaller ones because they have more economical and political opportunities but at this time they depend a lot on government decisions.

Therefore the following factors become very important for big companies:

- image of the company (either for consumers or counterparts);
- owner's reputation of the corporation;
- interconnections with other companies (formal and informal);
- company activity enhancing its business status and image;
- relations with the government authorities;
- corporate management of the company;
- clarity of data reporting;
- reorganization in the group structure in which companies are involved.

Nowadays there are several rating agencies, the leading ones are Standard & Poor's, Moody's or Fitch which award the rate of investment attractiveness to the companies. The rating method is available for public and the agencies have a good reputation and their opinion is considered to be true and accurate. Service of such agencies is expensive enough (about \$50,000) therefore only big companies can afford this service.

To raise the investment attractiveness the company can perform some actions. The main activities can be:

1. The elaboration of long term development strategy. It is important for potential investor as the strategy demonstrates viewing the own long term perspectives and adequate management of the company to the working conditions (inner and outer). It is obvious that the most important thing for investors interested in long term development of the company is clear strategy especially for those who are involved in business. When the company has a long term strategy of development it begins to develop the business planning.

2. The business planning. All aspects of activity are viewed in details in the business planning, the necessary volume of investments, financing scheme and the investment results for the company are proved. The cash flow plan calculated in business plan allows to assess the ability of the company to return borrowed money and pay interests to the investors. The business planning allows to

assess the value of the company, capital and potential development of it for investors.

3. Carrying out of legal examination and release of legal documents in compliance with the legislation. The legal examination allows revealing the drawbacks according to the legislation norms. The correction of these drawbacks is very important as the investor pays attention to the judicial audit. So, for the mortgagee an important stage in the process of negotiations with the company is a confirmation of property rights provided for the collateral property. For direct investors, who buy holding shares of the company, the important point is the shareholders rights and other aspects of corporate management, which have direct impact on their ability to control the direction of expenditures of invested funds.

4. Creation of credit history of the company as it allows judging the experience of getting outer investments and fulfill obligations to investors and owners. It is necessary to follow some steps to create such history. For example the enterprise can carry out the issue and extinguishment of loan on small amount and short period of time. After the extinguishment of the loan the company will enhance its status and get the new level as a creditor who can carry out the commitments. Further the company can attract new loans and investments on advantageous terms.

5. Some ways of reorganization. This point is the most difficult way of raising the investment attractiveness of the company. The full program of reorganization includes the integrated work of the company according to changing terms of the market and its strategy.

The reorganization can develop in several ways:

1. The changing of organized structure and management methods. This direction of reforms aims at improving management processes, which provide the basic functions of effectively functioning enterprise, and organizational structures of the company, which must match the new management processes.

The reorganization of management and structure can include:

- involving some organized chains into the management process;
- carrying out of relevant activities;
- allocation of some business areas in separate legal entities, education holdings, other changing forms of organizational structure;
- improving the information stream in information management;
- finding and elimination of extra chains in management;

2. The reform of the share capital. This direction includes activities aimed at the optimization of capital structure – split, consolidation of shares, all described in the Law on joint-stock companies, forms of reorganization of joint-stock company. The result of such actions is the management rising of the company or its groups.

3. The reform of assets. In the framework of assets restructuring, we can highlight the restructuring of the

property, complex restructuring of long-term investments and restructuring of the current assets. This direction assumes any changing of current assets due to the selling extra marginal assets and obtaining necessary assets, optimization of financial investments (short-term and long-term) assets, bill receivable.

4. The reformation of production. This direction is aimed at improvement of production systems of the enterprises. The purpose in this case is to improve the efficiency of goods production, services; increase of their competitiveness, expansion of the range or conversion.

The reorganization of production can include several measures:

- expansion of product range and sales of profitable products;
- mastering of new commercially promising products or services;
- unprofitable products withdrawal from production, unless there are real for the implementation investment projects to reduce costs, increase of competitiveness of production and etc.;
- other activities.

The complex reorganization of the company includes the combination of measures which are referring to several methods above.

It is necessary to analyze the present situation of the investment attractiveness of the company to determine the necessary activities (diagnostics of the company).

In the diagnostics different directions (aspects) of the company are considered: its sales, production, finances and management. A field of the company activity, which is associated with the greatest risk and has the largest number of weaknesses, is marked; measures to improve the situation on the chosen directions are formed.

The enterprise can form the program of measures for improving the investment attractiveness on the assumption of individual distinctions and capital market. The realization of such program helps to speed up of the investment financial resources and decrease its value. It is worth saying that probable measures do not take material expenses but the result of its realization is the rising of effectiveness besides of investors' interest towards the company.

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CUSTOMER RELATIONSHIPS MANAGEMENT AS THE KEY FACTOR FOR PROVISION OF THE BUSINESS SERVICES’ COMPANY COMPETITIVE ABILITY

Development trends of modern business services markets lead to the unification of the range, quality and cost of services. Under these conditions, the customer relationship management becomes the most important factor for a business services’ company competitive ability.

Keywords: competitive ability, management, customer relationships, business service industry.

One of the key trends of modern economic development is the growth of the service industry and its share in the global economy. In the last quarter of the 20th century and the beginning of the 21st century, the service industry’s share grew rapidly. Today the service industry’s share in the economy of some countries is up to 50 % while in most developed countries it is up to 70 % [1]. Since the 1990s these trends were clearly seen in the Russian economy.

The rapid growth of the service industry in the Russian economy is particularly evident in the business service industry where there is a great number of small and medium businesses. This growth is particularly visible due to the relatively small size of seed capital required to enter the market, and the significantly increased needs in these services from big business. In addition, the service sector begins to play a significant role in employment issues. In this regard, there is an increasing need to develop scientific approaches to the study of this area.

The concept of “service industry” has long been used in theory and in practice. It has become a familiar and frequently used term.

Kotler firmly believes: “In the end, all should be limited to the services sector. First, a customer buying a product, actually buys the services that the goods offer. Car is a means of transportation; soap provides its owners the opportunity to wash their hands; tutorial provides knowledge and information” [2].

Chelentkov A. P. defines the service in marketing as a coherent process of interaction between two or more subjects of the market where some agents act on others in order to establish, expand or reproduce the opportunities

to receive basic benefits (welfare) [3]. Considering the scope of services, the author points out their relationship with the goods. Under the conditions of constant technological processes, goods and services markets have become almost inseparable from each other (production of goods requires their continued service, etc.) [3].

The services sector is divided into consumer services (targeted to a wide range of individuals) and institutional services.

Institutional services are considered services, the consumers of which do not favor individuals, but companies, organizations, institutions and other economic and managerial structures. The bulk of institutional services are business services.

Business (professional) services are services provided to companies, organizations, institutions and other household and administrative structures, as well as separate individuals which contribute to a successful professional activity or profit.

The proposed interpretation of the above terms may create an impression that there are diffuse notions of business services and consumer services. To some extent this is true, but only partly. The concept of business services is integrated between the concepts of institutional services and consumer services.

Business service is a form of business that provides economic services and management structures and individuals to ensure their professional activities or for profit.

Currently, services as an economic phenomenon is an enormous area of production, financial, legal and social relations, which as it develops, promotes and catalyzes the processes occurring in the areas of production, social