L. A. Mochalova
Altai State Technical University named after I. I. Polzunov, Russia, Barnaul

THE MODEL OF THE CORPORATION RISK-ORIENTED FINANCIAL STRATEGY UNDER THE CRISIS CONDITIONS

The decomposition model of the corporation financial strategies development and selection of the risk-oriented strategy in respect to the financial risks criteria is represented. The definition concept of the risk-oriented financial strategy is given.

Keywords: model, financial strategy, financial risks, criteria.

Market environment, increasing competition, the financial crisis force each enterprise to search for new, more effective approaches to choose a financial strategy of the enterprises, which should guarantee financial stability at the assigned level of risk.

Strategies of contemporary corporations are directed mostly for the economic increase. The scenario of possible unfavorable changes in the ambient conditions is not considered there. The optimism, which a priori prevents the crisis trajectories of economic development under the conditions of the contemporary crisis, has led many corporations to the loss of financial stability and solvency or to bankruptcy.

As the author considers, for successful formation and implementation of the financial strategy it is necessary to find the approach, which ensures reaching and maintaining the financial stability of the corporation on the basis of the balance of the sales volume dynamics, assets and the sources of finance structure in respect to financial risks.

At present the concept of the financial strategy in financial management is given in different aspects by different authors: as an element of strategic or financial management as a system of actions to reach the objective, or as a mechanism of making and implementing administrative decisions in financing, etc. The analysis of this definition interpretation allows to provide a generalized definition of the financial strategy.

The financial strategy is one of the main types of the functional strategy, a system of actions to reach long-term objectives of financial activity, on the basis of which the policy of attraction and use of the corporation financial resources is studied, which includes mechanisms of the required volume formation and effective investment of these resources into the enterprise assets considering the environment changes.

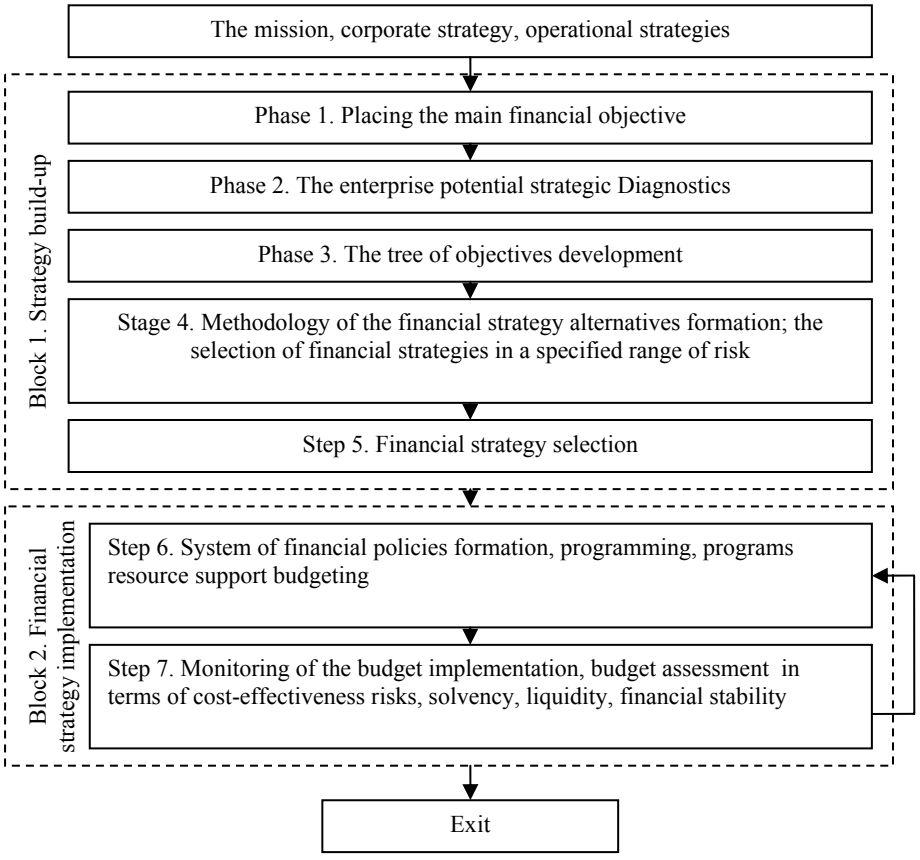


Fig. 1

The formation of the financial strategy should be aimed primarily at maintaining a stable financial situation of the organization. Therefore, we offer the selection of growth financial strategies according to the given criteria of financial risks. It needs the notion of the risk-oriented financial strategy (ROFS).

ROFS is a system of managerial decisions to meet the prospective goals of financial resources formation, distribution and use, ensuring financial stability of the organization through balancing sales volume dynamics, assets and sources of finance structure in respect to financial risks, taking into account the environment changes.

To develop of the risk-oriented financial strategy it is appropriate to use a set of indicators for assessing financial risks as criteria: financial activity effectiveness, liquidity and solvency, financial stability, dividend policy.

This approach will allow managers to make managerial decisions to reach and maintain stable financial situation during the implementation of the corporate strategy.

The main idea behind the proposed methodical approach is the choice of the financial strategy aimed at achieving and maintaining the corporation financial stability by identifying the maximum increase in sales, limited by acceleration of profit rate in a specified range of financial risks.

Fig. 1 shows the block diagram of the financial strategy formation and implementation which includes 7 consecutive stages.

The main element of the methodical approach is the methodology of the financial strategy alternatives formation and the methodology of ROFS choice. The procedure of ROFS formation (stage 4 of the systematic approach) is the sequential passage of the following steps (fig. 2).

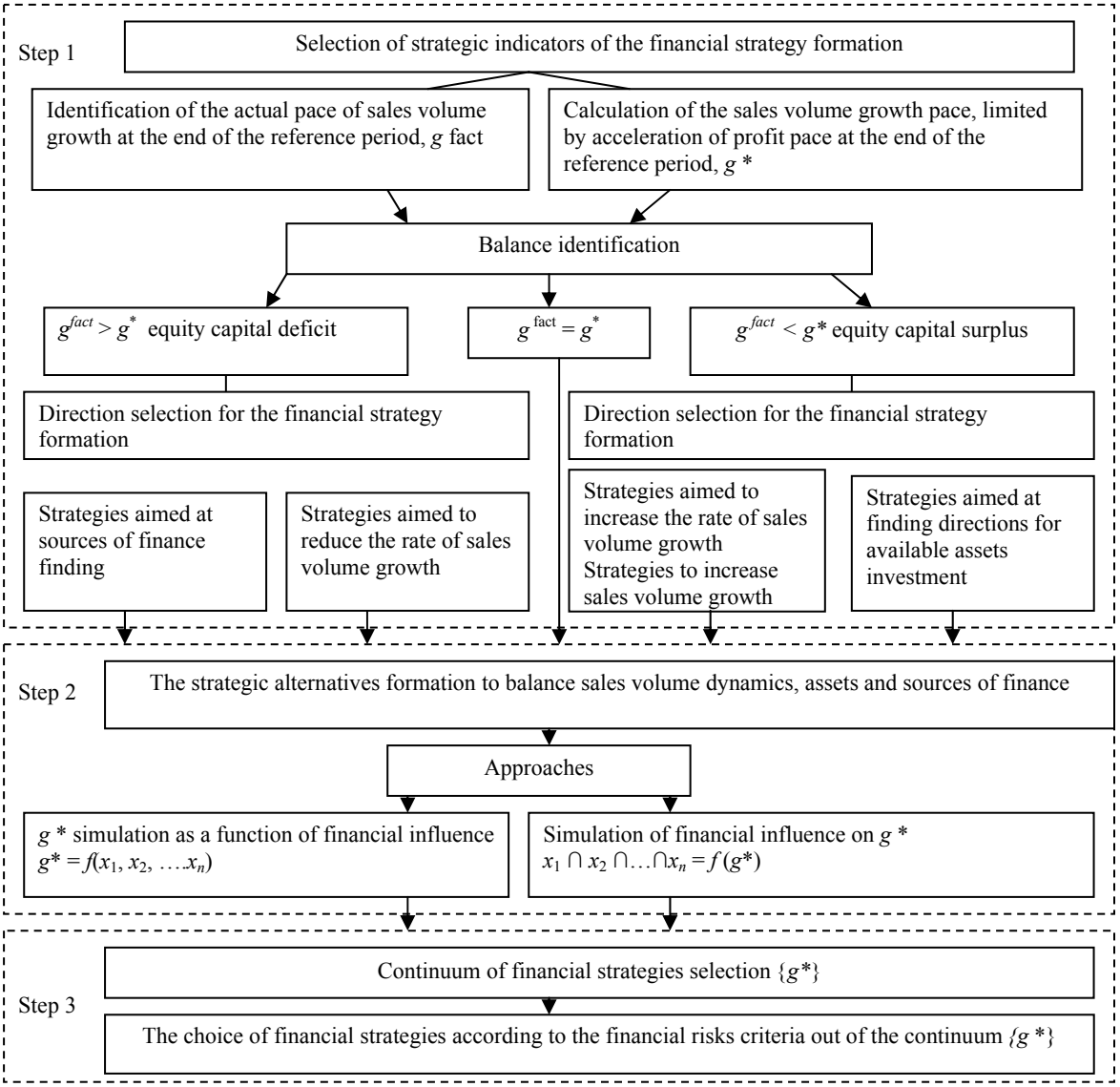


Fig. 2

Step 1. The balanced correlation of sales volume growth, the assets structure and capital is determined. The Model of Optimal Growth Strategy by *R*. Higgins is used:

$$g^* = \frac{\Delta E}{E_{by}} = \frac{RR \times NP}{E_{by}}, \quad (1)$$

where g * – sales volume growth rate, limited by equity capital growth (profit), %; E_{by} – equity capital at the beginning of the reporting year, monetary units; ΔE – equity capital fluctuation for the reporting year, monetary units; *RR* – reinvestment factor (capitalization); *NP* – net profit for the reporting year, monetary units.

The development of the risk-oriented financial strategy includes the following procedure:

1) determination of the actual rate of sales volume growth at the end of the reporting period, g factual;

2) determination of the sales volume growth rate limited by the equity capital growth rate at the end of the reporting period, g*;

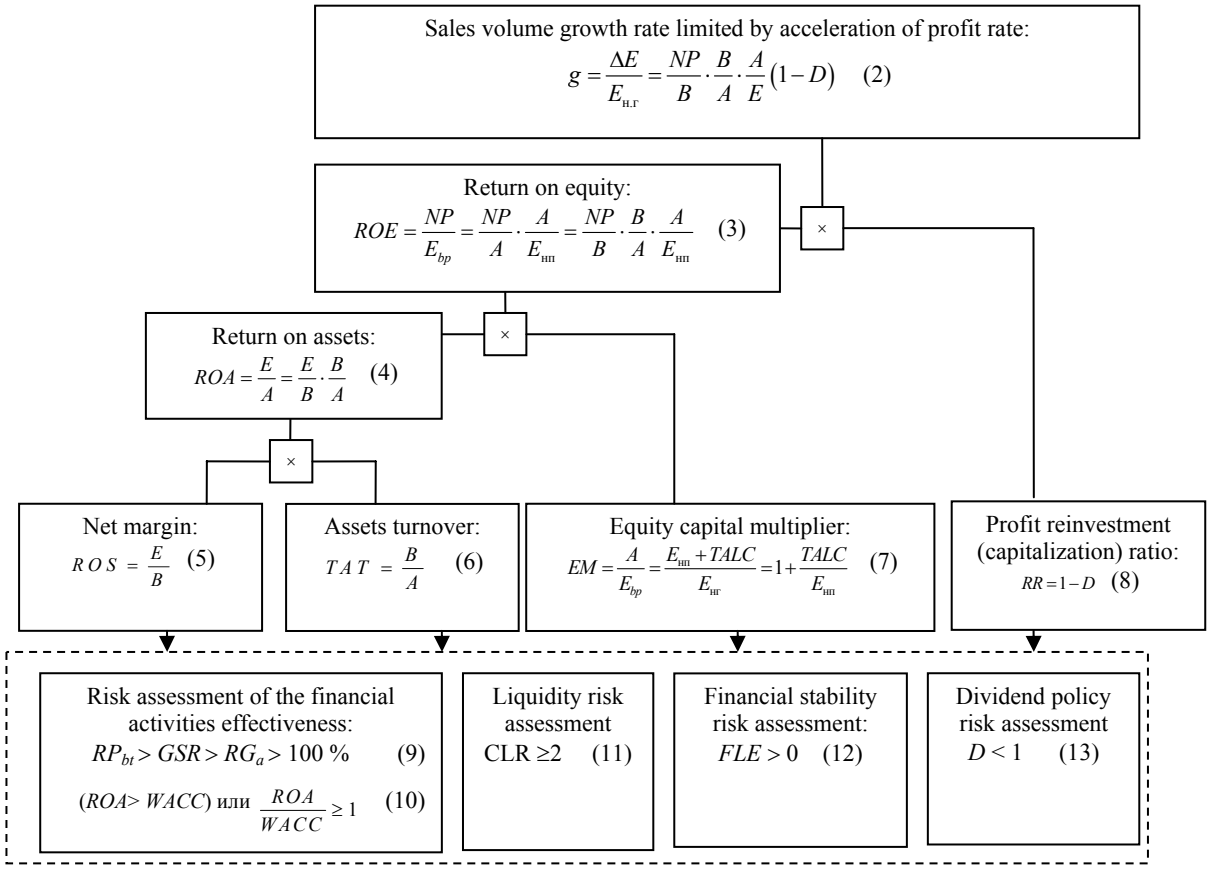
3) identification of the factual growth rate and the sales volume growth rate, limited by the equity capital growth for balance.

4) a managerial decision about the balance of the factual growth rate and the growth limited by the equity capital growth is made on the basis of the following criteria:

– if $g^{fact} > g$*, then the organization experiences lack of money and must take measures to achieve the of balanced growth level;

– if $g^{fact} < g$*, then the organization has a surplus of money and needs to decide what to do with profit, which exceeds the organization needs.

Step 2. To calculate the alternatives of the risk-oriented financial strategy we offer a decomposition model that includes a combination of Higgins' model, DuPont's model and the criteria for financial risk assessing: financial activities effectiveness, liquidity risk, financial stability, dividend policy risk (fig. 3).



Convention:

NP – net profit,
E_{bp} – equity capital at the beginning of the reporting period
TALC – the total amount of loan capital, monetary units
A – gross assets
B – the total proceeds
RP_{bt} – the rate of before-tax proceeds, %
WACC – weighted average cost of capital, %
CLR – current liquidity ratio;
FLE – financial leverage effect, %
D – dividend payment ratio
RG_a – Assets growth rate, %
GSR – Sales revenue growth, %

Fig. 3

The decomposition model reflects the possibility of the financial strategy development under the financial crisis conditions, when not only sales volume growth, but also financial stability maintenance is given priority. The proposed decomposition model has the following features: firstly, an important element of the model (2) is the allocation of profits factor (8), which sets compromise between sales volume growth and dividend payout growth, that generally affects the corporate valuation;

– secondly, the factor model (3) allows to determine the relationship between the three main indicators. The organization stability depends on their balance. They are sales net profitability (5), assets turnover (6) and sources of finance structure (7);

– thirdly, risk assessment (9)–(13) allows to prevent the threat of financial resources and financial stability losses.

The proposed model includes seven variables: rates of sales volume balanced growth, equity capital profitability, capitalization of earnings factor, assets profitability, sales net profitability, assets turnover, the correlation factor between equity capital and loan capital. This allows to set the relationship between the listed many variables (x_i) and sales volume growth rate (g).

Based on the decomposition model there is a simulation model of balance indicators: rates of sales volume balanced growth, capitalization of earnings factor, sales net profitability, assets turnover, the correlation factor between equity capital and loan capital. As a result, effective alternatives for the financial risks criterion have been identified.

The model works in the following way:

– actual values of three out of five listed factors are recorded;

– a target (independent variable) (either g^* or x_i) is chosen;

– a grid of the target values with particular spacing is specified;

– the resulting factor (dependent variable) value is calculated: $x_1 \cap x_2 \cap ... \cap x_n = f(g^*)$ or $g^* = f(x_1, x_2, ...x_n)$;

– the values limit (passage) of financial risks indicators is specified.

Step 3. ROFS choice is made out of many alternatives according to the criteria: "the sales volume growth rate limited by the acceleration of profit rate" and "acceptable level of financial risks". To assess risks admissibility threshold limit values of efficiency indices and change limits for these indicators are specified.

The choice of the financial development strategy is based on the financial strategies matrix presented graphically (fig. 4).

In the matrix there are four main types of possible financial strategies defined by two factors: the ability of the business to finance its sales growth and the attitude to risk.

The matrix horizontal axis shows the attitude to risk (from risk avoidance to risk orientation); the vertical axis shows the business's possibility to finance its sales growth (from money deficit to their excess).

Strategies of "*A*" and "*B*" sectors are typical for slowly developing organizations whose sales are growing more slowly than the ability of the business to finance this growth, thereby cash surplus is generated. This situation allows to raise the bar of the acceptable risk level.

Financial strategies of "*A*" sector aimed at preventing, localization and avoiding risk are chosen by organizations dominating in the market having stable enough profitability, advanced technology and skilled personnel.

Financial strategies of "*B*" sector are focused on the risk typical for those enterprises which have chosen reorganization and restructuring, technical re-equipment and reconstruction of their industrial and technological base, organizational and managerial innovations.

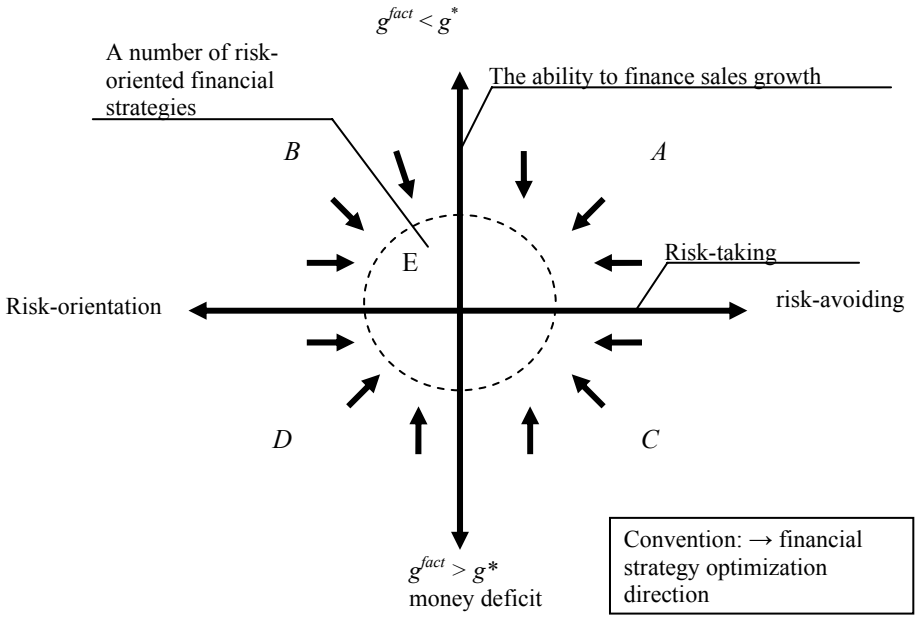


Fig. 4

Strategies of "*C*" and "*D*" sectors are suitable for organizations having money deficit to finance fast sales volume increase. High rate of sales volume increase requires additional investment, which the company often lacks and the company management has to borrow money. If there is no special control and management measures high growth rate inevitably lead to bankruptcy.

Strategies of "*C*" sector achieve financial recovery and restore solvency, they are aimed at achieving optimal criteria of financial risks.

Strategies of "*D*" sector are risk-oriented. "*D*" sector strategies which are closer to the matrix center are targeted at the risk giving the "possibility of breakthrough", this requires changes of the basic economic characteristics and the business capacity as well as great investment. The risk here is very grave, but the income must be very significant (otherwise there is no sense to risk). Such risk-oriented strategy may at some stage replace "*C*" sector strategies and activate a new spiral of the organization life cycle. Sector "*D*" strategies that are further from the matrix center work by the principle "everything or nothing". Today Russia's experience shows that participation in risky projects in a difficult financial situation, when all the property is at stake, is not a single case in manufacturing business. As a result, the organization goes bankrupt.

The vector of financial strategies improving is directed towards the matrix center. If E means a number of ROFS, the challenge is to select strategies located in E space.

Thus implementing decomposition and simulation ROFS model according to the methodology described in the article will allow the corporation to maximize its sales volume when the values of financial risks are given.

T. N. Odintsova
Saratov State Technical University, Russia, Saratov

PROCESS OF SERVICE PRODUCTS CREATION: LOGISTICAL APPROACH

The logistical approach to solving a complex problem, in particular, creation of new service products is considered. The logistical approach is based on increase of service technologies flexibility and allows to adapt them for current changes within demand for rendered services. Application of the present approach requires development of various variants of effective business processes of service in order to avoid eventual "failures" during the process of service product consumption by the consumer. Urgency of the article is caused by increasing demand of the society for qualitative services including tourist services.

Keywords: logistics, service product, tourism services, business process.

The XXI century markets are characterized by impetuous growth of goods and services, shorter product life cycles and growing rates of new product development. Business gets more and more complicated and conditions of its development become more and more uncertain. Usual fast response at the right time is not enough to satisfy needs of such markets. Logistic covers all parts of an enterprise activity and it is really nessesary. The mission of modern logistic is to provide conditions for the necessary products which satisfies the ultimate consumer's certain needs to be delivered to the right place at the right time. Such problem means, that the ultimate consumer is of the principal importance as there is nothing more important for the entrepreneur than the consumer of his goods or services. The concepts of logistics help to achieve the ultimate goal of any business, namely getting maximum profit due to the client's needs satisfaction.

The purpose of the article is to consider the process of service products creation from the point of view of complex applying of logistical management.

Nowadays importance of service products logistical management is continuously growing, that is caused by the service sphere development, with the increasing number of companies concentrating there, aiming their activity at the ultimate consumer, developing the concept of service quality total management. It has an effect on the activity of service sphere organizations which have to change their product strategy periodically, to create new kinds of offers to their consumers and also to develop technologies of products planning and creating. The process depends on market factors as firms constantly search for new opportunities to satisfy their consumers of target segments' needs and try to differentiate characteristics of their offers in the competitive environment.

Due to occurrence of innovational service products (for example, using the Internet for service rendering) firms develop new business processes to render existing services that results in the effective change of service rendering and allows to create new competitive advantages. Transition of tourism enterprises to the system of on-line service using the Internet (booking, selling and communications) can be given as an example. The Internet is used practically in all basic business-processes which take place inside the travel agency, from search and attraction of clients as the communication and marketing tool to the tourist product formation. A more