SWOT ANALYSIS AS A TOOL FOR DETERMINING A SMALL ENTREPRENEURSHIP STRUCTURE DEVELOPMENT STRATEGY

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SWOT-АНАЛІЗ ЯК ІНСТРУМЕНТ ВИЗНАЧЕННЯ СТРАТЕГІЇ РОЗВИТКУ МАЛИХ ПІДПРИЄМНИЦЬКИХ СТРУКТУР

Formulation of the problem. In today's market development, small businesses that are rooted in it, and those that are just entering the market, have to face problems associated with high levels of fierce competition, excess of such goods and services, oversaturation of advertising and information flows, growing demands consumers to product quality, with constant changes in market conditions and market capacity, as well as innovations that seek to gain increasing shares. Therefore, for the successful survival and operation of cute businesses, improving the quality and competitiveness of their products, you need to be able to anticipate the difficulties they may face in the future and new opportunities that may open up for them. That is, companies need to identify priority areas for development, develop business plans, adapt to changes in the external environment, use new technologies to organize management processes, change business strategies, and therefore, carry out strategic management.

One of the main tools of strategic management, assessing the complexity of internal and external factors that affect the development of small businesses, is the SWOT analysis.


However, insufficient attention is paid to the peculiarities of the application of this method for small businesses engaged in the retail sale of medical and orthopedic products in specialty stores. We believe that existing research needs further development in terms of adapting this method to the specifics of a particular enterprise or aimed at improving the methodology of SWOT analysis to determine the level of competitiveness of enterprises in modern business conditions.

Setting objectives. The purpose of the article is a strategic analysis of the state of development of LLC “GALYCHMED”, identification of positive and negative trends and changes, identification, and awareness of factors that cause inhibition of its development, search for priority ways and directions of development of the analyzed enterprise.

Presentation of the main research material. To determine the main opportunities and threats, as well
as the strengths and weaknesses of the researched company (LLC “GALYCHMED”) we use SWOT-analysis, which is conducted to identify areas of marketing efforts in which the company can achieve competitive advantage. The effective functioning of any enterprise requires a comprehensive assessment of both the external and internal environment. Therefore, to assess the factors of the macro-and meso-environment of the enterprise, the method of determining the profile of the external environment is used (Table 1, Table 2).

Table 1

<table>
<thead>
<tr>
<th>№</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component</td>
</tr>
<tr>
<td>Characteristic</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

1. Demographic

1.1 Population

The number of potential consumers is directly proportional to the population, which has been steadily declining in recent years.

1.2 Location of the population in the country (region)

Internal migration does not change the income of the enterprise, which, accordingly, does not affect the financial condition of the enterprise.

1.3 Migration trends

The excess of the number of external immigrants over emigrants leads to a decrease in the number of potential consumers (according to statistics, the population has increased as a result of migration processes, and therefore, this is a positive phenomenon for LLC “GALYCHMED”).

1.4 Age structure

According to statistics, the vast majority of the population of Ukraine is people aged 12-67 years. This is positive for the company because they use the full range of services of LLC “GALYCHMED” to a greater extent.

1.5 The ethnic and religious structure of the population

The ethnic and religious composition of the population does not influence the activities of LLC “GALYCHMED”.

1.6 Birth rate, mortality

The excess of mortality over the birth rate leads to a reduction in the population, which, in turn, harms LLC “GALYCHMED”.

2. Economic

2.1 The purchasing power of the population

The purchasing power of the Ukrainian population has fallen 1.5-2 times over the past two years. The low level of purchasing power does not allow the company LLC “GALYCHMED” to receive high profits.

2.2 Inflation rate

The inflation rate significantly affects the number of cash flows of LLC “GALYCHMED”; the volume of expenditures, the main consequence of inflation is a decrease in profits.

2.3 Financial and credit policy in the country

The difficult state of the economy negatively affects the financial policy of the enterprise (high-interest rates, hryvnia devaluation, pandemic, environmental protection).

2.4 General economic situation

The supply that can be provided by the company far exceeds the volume of demand, which has recently continued to decline, even though the company's services are used not only by the population but also by other companies.

2.5 Taxation system

The high tax burden harms the company. When reforming and improving the tax system, it is possible to reduce the negative impact of the tax burden and thus increase the revenues of local budgets and the state budget.

2.6 Changes in the structure of consumer consumption

Due to the situation regarding the pandemic, the needs of the population in medical products are growing, respectively, such a positive trend affects the increase in income of LLC “GALYCHMED”.

2.7 Elasticity of demand

The elasticity of demand for the products of LLC “GALYCHMED” is quite high, as a reduction in price will lead to an increase in clientele, but at the moment the price-quality ratio is more important for people, which is the best for the company.

3. Natural

3.1 The level of environmental pollution

The company itself does not directly pollute the environment, as it is engaged in retail trade.

4. Technological

4.1. The pace of technological change, the innovative potential of the trade industry

LLC “GALYCHMED” does not lag behind the pace of technological changes and innovations. It is planned to expand its activities throughout Ukraine with the opening of branches.

5. Political and legal

5.1 The state of legislation governing economic activity

A common problem in Ukraine is the frequent change of the legal framework, as well as a high degree of contradiction between existing acts, which harms the company.

5.2 State economic policy

Experimental nature of state economic and legal policy, which negatively affects the activities of the enterprise, as the state is the main legal regulator in economic relations and has an impact on the development of both individual enterprises and the economic system as a whole.
### 6. Socio-cultural

<table>
<thead>
<tr>
<th>№ s/n</th>
<th>Component</th>
<th>The weight of the factor</th>
<th>Impact on the enterprise</th>
<th>Direction of influence</th>
<th>The level of importance of the factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>Features of the prevailing traditions and beliefs in society</td>
<td>1</td>
<td>0</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>6.2</td>
<td>Educational level</td>
<td>2</td>
<td>2</td>
<td>+</td>
<td>+4</td>
</tr>
<tr>
<td>6.3</td>
<td>People's attitude to work</td>
<td>2</td>
<td>3</td>
<td>+</td>
<td>+6</td>
</tr>
</tbody>
</table>

Total impact: -5

### Table 2

**Assessment of opportunities and threats to the external environment of LLC “GALYCHMED”**

<table>
<thead>
<tr>
<th>№ s/n</th>
<th>Component</th>
<th>The weight of the factor</th>
<th>Impact on the enterprise</th>
<th>Direction of influence</th>
<th>The level of importance of the factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
<td>+</td>
<td>+9</td>
</tr>
<tr>
<td>6.1</td>
<td>Features of the prevailing traditions and beliefs in society</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>-2</td>
</tr>
<tr>
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<td>+</td>
<td>+4</td>
</tr>
</tbody>
</table>

Source: generated by the authors
The analysis of the external environment of LLC "GALYCHMED" shows that the influence of the macroenvironment is negative, and the mesoenvironment is positive. The most important factors of positive influence are the attitude of the buyer to the product, the population, the attitude of people to work, and so on. Among the most negative factors are inflation, the social situation in the country and the world in general (COVID-19), financial crisis, slowing economic growth, the purchasing power of the population, industry competitors, potential competitors, and more.

At the second stage of SWOT analysis, we carry out strategic diagnostics of the internal environment of LLC "GALYCHMED". To do this, we form a list of factors of the internal environment, which are divided into two groups: strengths and weaknesses. The list of components and corresponding factors of the internal environment is given in Table 3 and Table 4.

**Table 3**

<table>
<thead>
<tr>
<th>№ s/n</th>
<th>Component</th>
<th>Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Marketing</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Products (services) produced (provided) by the enterprise</td>
<td>Retail sale of medical and orthopedic goods in specialized stores.</td>
</tr>
<tr>
<td>1.2</td>
<td>Market share</td>
<td>In recent years, the company has not lost its position in the market (market share 20%).</td>
</tr>
<tr>
<td>1.3</td>
<td>Quality of products (services)</td>
<td>Product quality is decent with a flexible pricing policy but partially inferior to competitors.</td>
</tr>
<tr>
<td>1.4</td>
<td>The state of the sales system</td>
<td>In LLC &quot;GALYCHMED&quot; the promotion of goods is ensured as much as possible.</td>
</tr>
<tr>
<td>1.5</td>
<td>Service</td>
<td>LLC &quot;GALYCHMED&quot; has a high level of service.</td>
</tr>
<tr>
<td>1.6</td>
<td>Advertising quality</td>
<td>LLC &quot;GALYCHMED&quot; invests significant funds for the development of an advertising campaign to establish itself on the market. Effective advertising will provide an influx of potential consumers.</td>
</tr>
<tr>
<td>1.7</td>
<td>Availability of trademarks</td>
<td>LLC &quot;GALYCHMED&quot; has its trademark and emblem.</td>
</tr>
<tr>
<td>1.8</td>
<td>Product range</td>
<td>Wide range.</td>
</tr>
<tr>
<td>2</td>
<td>Finance</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Enterprise assets</td>
<td>The assets of LLC &quot;GALYCHMED&quot; are increasing during 2017-2019. That is, the company works efficiently. Their structure is changing for the better.</td>
</tr>
<tr>
<td>2.2</td>
<td>Net profit</td>
<td>Net income tends to increase.</td>
</tr>
<tr>
<td>2.3</td>
<td>Return on capital</td>
<td>Return on capital tends to increase, so the assets of LLC &quot;GALYCHMED&quot; are used efficiently.</td>
</tr>
<tr>
<td>2.4</td>
<td>Working capital</td>
<td>The structure of the working capital of LLC &quot;GALYCHMED&quot; is optimal. This state of affairs has a positive effect on the liquidity and solvency of the enterprise.</td>
</tr>
</tbody>
</table>
3. Staff

3.1 Management staff
The management staff is highly qualified, engaged in a clear division of responsibilities and delegation of authority to lower-level managers.

3.2 Qualification of employees
LLC "GALYCHMED" employs qualified staff and there is no need for new employees.

3.3 Personnel policy
The company practices advanced training.

3.4 Using incentives to motivate performers
To motivate employees, a system of material incentives is used, namely: bonuses.

3.5 Staff turnover
There is no staff turnover at the enterprise.

4. Research and development

4.1 Research potential and its intensity
The research potential of LLC "GALYCHMED" is insignificant, it mainly uses already developed novelties.

4.2 Availability of patents
The company has existing patents and also applies for new ones.

Source: generated by the authors

Table 4

Assessment of the strengths and weaknesses of the company LLC "GALYCHMED"

<table>
<thead>
<tr>
<th>№ s/n</th>
<th>Component</th>
<th>The weight of the factor</th>
<th>Impact on the enterprise</th>
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<th>The level of importance of the factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Products (services) produced (provided) by the enterprise</td>
<td>3</td>
<td>3</td>
<td>+</td>
<td>+9</td>
</tr>
<tr>
<td>1.2</td>
<td>Market share</td>
<td>3</td>
<td>2</td>
<td>+</td>
<td>+6</td>
</tr>
<tr>
<td>1.3</td>
<td>Quality of products (services)</td>
<td>2</td>
<td>2</td>
<td>+</td>
<td>+4</td>
</tr>
<tr>
<td>1.4</td>
<td>The state of the sales system</td>
<td>2</td>
<td>2</td>
<td>+</td>
<td>+4</td>
</tr>
<tr>
<td>1.5</td>
<td>Service</td>
<td>2</td>
<td>1</td>
<td>+</td>
<td>+2</td>
</tr>
<tr>
<td>1.6</td>
<td>Advertising quality</td>
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<td>Availability of trademarks</td>
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<td>1.8</td>
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<td>Net profit</td>
<td>2</td>
<td>2</td>
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<td>+4</td>
</tr>
<tr>
<td>2.4</td>
<td>Return on capital</td>
<td>3</td>
<td>2</td>
<td>-</td>
<td>-6</td>
</tr>
<tr>
<td>2.5</td>
<td>Working capital</td>
<td>3</td>
<td>2</td>
<td>-</td>
<td>-6</td>
</tr>
<tr>
<td>2.6</td>
<td>Availability of credit</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-4</td>
</tr>
<tr>
<td>3.1</td>
<td>Management staff</td>
<td>2</td>
<td>3</td>
<td>+</td>
<td>+6</td>
</tr>
<tr>
<td>3.2</td>
<td>Qualification of employees</td>
<td>2</td>
<td>2</td>
<td>+</td>
<td>+4</td>
</tr>
<tr>
<td>3.3</td>
<td>Personnel policy</td>
<td>3</td>
<td>2</td>
<td>-</td>
<td>-6</td>
</tr>
<tr>
<td>3.4</td>
<td>Using incentives to motivate performers</td>
<td>1</td>
<td>2</td>
<td>+</td>
<td>+2</td>
</tr>
<tr>
<td>3.5</td>
<td>Staff turnover</td>
<td>1</td>
<td>0</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>4.1</td>
<td>Research potential and its intensity</td>
<td>3</td>
<td>1</td>
<td>+</td>
<td>+3</td>
</tr>
<tr>
<td>4.2</td>
<td>Availability of patents</td>
<td>1</td>
<td>2</td>
<td>+</td>
<td>+2</td>
</tr>
</tbody>
</table>

Total impact | +40 |

Source: generated by the authors

The data in Tables 3–4 demonstrate the importance of factors of the internal environment of the enterprise, which in most cases have a positive effect on the results of their activities.

After analyzing the opportunities and threats, strengths and weaknesses of LLC "GALYCHMED", we will establish relationships between them and build an appropriate matrix (Fig. 1).
### Strengths

- Products (services) produced (provided) by the enterprise (+9);
- Market share (+6);
- Management staff (+6);
- Advertising quality (+6);
- Quality of products (services) (+4);
- Sales system status (+4);
- Product range (+4);
- Enterprise assets (+4);
- Net profit (+4);
- Qualification of employees (+4);
- Research potential and its intensity (+3);
- Availability of patents (+2);
- Service (+2);
- Availability of trademarks (+2);
- Use of incentives to motivate performers (+2);
- Staff turnover (0).

1. Increasing the consumption of products by increasing advertising;
2. Sales of products that are targeted at consumers with different levels of earnings;
3. Search for new financial instruments for placement of assets;
4. Functional leadership in the priority areas of retail trade in medical and orthopedic goods in specialty stores;
5. Creation of a special department for monitoring social networks and maintaining a positive image of the enterprise;
6. Application of modern management technologies.

### Weaknesses

- Return on capital (-6);
- Working capital (-6);
- Personnel policy (-6);
- Availability of credit (-4).

1. Bonus system for customers;
2. Development of new types of trade and services;
3. Cost reduction policy;
4. Incentives for staff: the introduction of bonuses and bonuses for a certain number of goods sold, concluded loan agreements;
5. Priority reduction of transportation costs, the establishment of new, more profitable agreements with transport companies;
6. Growing staff culture and service.

### Opportunities

- Population (+9);
- The pace of technological change, the innovation potential of the trade sector (+6);
- The geographical location (+6);
- The cost of goods sold (+6);
- Migration trends (+4);
- Age structure of demand (+4);
- The level of service quality (+4);
- Socio-psychological characteristics (+4);
- Level of specialization of the supplier (+4);
- Supplier focus on working with the enterprise (+4);
- Product quality rating (+4);
- Punctuality and mandatory delivery (+3);
- Compliance with the terms of delivery of goods (+3);
- Importance (+3);
- Importance (+3);
- Volume of sales (+3);
- Location of the enterprise in the country (+3);
- Volume of sales (+3);
- Location of the enterprise in the country (+3).

### Threats

- Inflation rate (-9);
- Industry competitors that produce similar products and sell them in the country (+6);
- Changes in the structure of consumer consumption (-6);
- Changes in the structure of consumer consumption (-6);
- Birth rate (-4);
- Purchasing power of the population (-4);
- Financial and credit policy in the country (-4);
- Economic situation (-4);
- Taxation system (-4);
- State economic policy (-4);
- Subsidies and incentives (-4);
- Potential liabilities and financial risks (-3);
- Level of environmental pollution (-2).

### Fig. 1. Results of the SWOT analysis of LLC "GALYCHMED"

Source: generated by the authors
At the final stage, four potential development scenarios of LLC "GALYCHMED" were analyzed, their advantages and disadvantages were identified, and a preliminary conclusion was made regarding a possible strategy for its development.

SO:
1. Expanding the range of consumers of medical and orthopedic products by increasing the volume of advertising, focusing on expanding market share. Maintaining and improving the company's image and corporate social responsibility.
2. Increasing sales by selling products targeted at consumer groups with different income levels. That is, to enable both high and middle-class consumers to meet their needs for medical and orthopedic products.
3. Search for new financial instruments for asset placement. In particular, the use of possible investment projects by the company, which would bring high income for the placement of free cash.

ST:
1. Retention of buyers from the transition to competing companies through the use of flexible pricing policy and increase the quality of medical and orthopedic products. Also reducing prices for the offered goods, holding promotional days, developing a system of discounts and bonuses for customers ("Premium Class", "Mass Segment", etc.), and establishing cooperation with new more technologically advanced enterprises (companies).
3. Customer segmentation: individual approach to each consumer, division of customers according to their priorities and values.

WO:
1. Reorganization strategy: expansion of retail trade in medical and orthopedic goods in regions with greater financial and economic potential.
2. Bonus system for customers: providing preferential terms for regular customers, as well as additional discounts on the system of recommendations.
3. Development of new types of goods: it is necessary to develop a strategy for the development of new products and areas of trade. In the beginning, this activity may be unprofitable, but the market share will be significant. If the economic situation in the country improves, the company will receive extra profits in the future.
4. Cost reduction policy: formation of a bonus system, a system of goals for employees; increase the cost of improving their professional skills through systematic training; search for unproductive costs of the enterprise in previous years, provided that the quality of services will not decrease, the reputation will not deteriorate, and profits will increase.

WT:
1. The cost of products may increase due to the cost of transportation. It is advisable to establish contracts on favorable terms with carriers.
2. Profit planning based on the experience of foreign companies.

Conclusions from the study. We believe that the matrix method of strategic analysis – SWOT analysis is a universal analytical tool that can be used by small businesses to select development strategies and market analysis and study competitiveness, but each time it must be adapted to the specifics of the enterprise.

When conducting a SWOT analysis, it is necessary to clearly define the period of research, and be sure to take into account the period for which the analysis is conducted, as those positions that are currently a "weakness" of a small business may later become advantages, and vice versa.

This article uses the SWOT-analysis method to determine the development strategy of LLC "GALYCHMED". The selection of internal factors (strengths and weaknesses of a small enterprise) and environmental factors (opportunities and threats) made it possible to determine the main development strategy of LLC "GALYCHMED" and outline measures to strengthen its position.

It is proved that the unstable financial market due to the pandemic, the devaluation of the national currency, the situation in the banking sector, losses in the area of environmental protection in eastern Ukraine, as well as other factors negatively affected the trading activities of LLC "GALYCHMED". In most retailers, costs have risen and profits have fallen, prompting more conservative pricing and spending cuts.

These proposals can be used as a basis for further research on the analysis of small businesses and determine the strategic prospects for its development.

Literature


References