

## Monitoring of business economics

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### *Monitorovanie obchodnej ekonomiky*

*This article provides a real view of the unnamed medium company providing the production of iron, lease of the real estates in its temporarily free spaces and incidental arrangement of services, in which the manager and at the same time the director of the company diagnoses and discovers the arising problems. He compares the economic situation at the firm for the period of the last four accounting periods and executes the economic analysis with the aim to discover the faults. For their elimination, he accepts the effective measures. He clarifies the main goals of the business activities, appraises their practicality and recommends the means for solving the main problems. He designs and constantly updates the organizational structure of firm if needed. He carefully follows the situation on the market, defines the company's activities, prepares the strategy of the company and the financial plan representing the dependence of flexibility of manufacturing and commercial processes and creativity of the manager.*

**Key words:** manufacturing firm, business problems, business economics, economic analysis, organization of the company, goals of business activity, information, measures, strategy of business activity, business planning

### Introduction

In the last years, the number of small and medium enterprises has increased in our country, within all sectors of industry. At the same time, with this positive phenomenon and due to changes and absence of professional knowledge, companies have also marked the number of problems.

The main concerns are:

- rapid growth of production quantity and range of goods
- high investments into technologies
- investments into distribution networks
- failure to manage the appraisal of covering the market and its claims on increasing the maturity of invoices
- excessive increase of indebtedness and there to related weak negotiating skills towards financial institutions
- failure to observe the maturity provided by the contractors, mismanagement of cash flow
- incorrect control of human resources and total remuneration system [6].

These problems could be prevented many times, if they were diagnosed and if the weaknesses of the company were uncovered in time. Although there are numerous knowledge resources on management, they are not organized coherently and the variety of directions, schools and majors do exist.

However, one thing can be said without any dispute: there is no definite way or guide on how to behave, so that the given situation might be diagnosed in time and would not lead the company towards a disaster [1].

### Model situation

As an example, the company aimed at the production and processing of iron, rental of real estates in their temporarily free spaces and occasional arrangement of services was taken.

The manager and at the same time the director of this company compared the economy for last four years (2003 to 2006) and found out, that proceeds from the foregoing activities are approximately at the same level (with the exception of the year 2006, when the revenues for the company's products increased significantly), while the costs are increasing annually by approximately 10 %. The resultant situation caused the drop of the profit and completely different numbers reported in the business results for each year.

The exchange rate differences influenced the economic results to the large extent, arose from the foreign relationships of the company, as the company began to do business with Russia and incurred the foreign receivables and liabilities. This fact resulted in very different exchange rate profits and losses [7].

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Tab. 1. Balance sheet of the company from the years 2003 to 2006.

Balance sheet [ Sk ]	2003	2004	2005	2006
<b>Balance sheet assets</b>				
<b>Total assets</b>	212 048	230 756	281 596	289 329
<b>Non-current assets</b>	137 816	147 141	166 019	141 313
<b>Intangible fixed assets</b>	39	31	1 323	960
<b>Tangible fixed assets</b>	137 777	147 110	164 696	140 353
<b>Current assets</b>	73 939	83 526	115 453	147 872
<b>Inventory</b>	45 497	64 884	78 606	92 213
<b>Short-term receivables</b>	22 583	13 591	33 811	52 635
<b>Financial accounts</b>	5 859	5 051	3 036	3 024
<b>Accruals and deferrals</b>	293	89	124	144
<b>Balance sheet liabilities</b>				
<b>Total equity and external liabilities</b>	212 048	230 756	281 596	289 329
<b>Equity</b>	-4 194	31 541	13 604	42 944
<b>Registered capital</b>	200	200	200	200
<b>Capital funds</b>		13 504	13 504	13 504
<b>Income funds</b>	140	140	140	140
<b>Profit (loss) of previous years</b>	-7 464	-4 533	17 697	239
<b>Profit (loss) of current period</b>	2 930	22 230	-17 937	28 861
<b>External liabilities</b>	215 276	198 575	267 619	243 568
<b>Reserves</b>	1 266	1 136	4 495	1 217
<b>Long-term payables</b>	132 357	103 422	142 000	129 418
<b>Short-term payables</b>	81 653	94 017	1 040 590	74 131
<b>Bank loans and assistance</b>			17 000	38 737
<b>Accruals and deferrals</b>	966	640	373	2 817

Tab. 2. Profit and loss account of the company from the years 2003 to 2006.

Profit and loss account [ Sk ]	2003	2004	2005	2006
<b>Production</b>	413 074	417 398	496 349	618 520
<b>Production consumption</b>	345 882	366 978	433 876	437 604
<b>Added value</b>	67 192	50 420	62 473	180 916
<b>Operating profit (loss)</b>	17 758	-11 462	-5 242	25 631
<b>Profit (loss) from financial operation</b>	-14 447	39 388	-14 882	2 447
<b>Ordinary income</b>	2 930	22 265	-17 937	28 078
<b>Extraordinary income</b>		-35		783
<b>Profit (loss) of current accounting period</b>	2 930	22 230	-17 937	28 861

As a consequence of the given economic situation, the management of the firm had to begin intensively dealing with:

- purchase and sales of foreign exchange through the dealing operations in banks, it has concluded the contract with the bank enabling direct access to the server, on which each trade was executed and so daily they could promptly respond to the offers on this server and contractually conclude the best exchange rates during the given day
- elimination of oscillations of individual currencies by the fixing operations, while they have had the banks prepared them the offers for fixation of single currencies for the periods from 2 to 5 years, and for protection of the level of currency, which they have included in calculations, they have fixed the sale of each currency at acceptable rate and monthly trades. The most important step was to achieve the observance of maturities and the amounts of payments on the part of the customers.
- using the spot trades to eliminate the losses of the company from the financial operations
- using the short-time deposit to evaluate the finances located on each account
- analysis of the possibilities of co-operation with each bank and to estimate the two banks, with which there is the best collaboration, and to terminate the accounts in other banks [1].

Whereas the immovable assets did not record the significant changes, movable assets expanded by modern fully digital line. This fact should be, regarding the world's development of automatic machines and robots, evaluated as a positive development. The inventories of the company increased, within the last four years they have almost doubled. In addition, the short-term receivables from the commercial relations have increased [7].

### Economic analysis

Executed by economic analysis based on the balance sheet, and profit and loss account on managing the model company revealed that:

- the biggest accrual of receivables after the due date was recorded with customers in the regions with the high concentration of the foreign investors, where these customers did not meet their obligations within the due dates. They prolonged them many times disproportionately to 200 days and more. They have found a solution in the form of refinancing these receivables through the factoring, which has strengthened the cash of the company even despite the increased interest and charges costs [3].
- with common customers with fourteen days period of maturity, this maturity was extended as much as to thirty days. The firm has launched the more strict measures in the form of supplier–customer contracts, where it has allowed the maturities to customers up to thirty days conditioned by contractual claim on sanction in the amount of 0.5 % for each day of delay after this deadline. More than 74 % of the customers have entered the contract [7].
- as for the smallest customers, where the goods were sold by the firm's dealers, the situation worsened insofar that the management of the company had to change the remuneration system of this group of dealers, which would not be based on the turnover anymore, but with conditional pay of 80 % of the bonuses provided the receivables after the due date shall not exceed 20 %. This transferred the responsibility for enforcing the receivables to the dealers to larger degree and the cash flow has improved from this sector by 18 % [6].

Despite the foregoing measures, the financial accounts of company recorded a decline. No such significant changes were reported with respect to the liabilities of the company, however the own sources went from minus to significant plus balance, caused by remittances of losses in the company and high profit for 2004. In as much as this view of the company is not sufficient, the manager with the goal to clarify the general problems, which the firm encounters, has decided, that the financial analysis and the personal audit of the company needs to be performed [7].

Because he wanted to perform the analysis at all levels, he began with the analysis of his work and with the questions like:

- are the working hours utilized effectively?
- are the working activities for each job set up correctly and specifically?
- does each employee understand the vision and the goals of the company?
- does each department have the accurate competencies assigned to [3] ?

Using the analysis, he found out that with the growth of his business he should pay more attention and spend more time on clearing up his current situation and planning the future. With the analysis he also discovered that he himself loses the substantial part of his working hours by constant interruptions from his personnel in the form of telephone calls, non-constructive conversations with the colleagues, conversations with customers complaining about unsubstantial matters, constant communication with banks and dealers trying to sell their products and services and of course, everybody wants to solve his/her problems and offers with the manager–director in the one person. Therefore, every successful manager must create the effective system, on how to cope with these distractive moments. The manager loses a lot of time due to unnecessary travelling. Whenever he needs to get somewhere, even from and to work, he loses time with travelling. However, even these problems can be resolved simply. For example, if he starts to work early in the morning, he will avoid the meaningless phone calls, visits, social events, which brings him several hours for his work [6].

If he finds the reasons of his largest time losses, he will be able to them avoid. The first thing, which he decided to perform is hiring a secretary to his office, who he can rely on, who will accept all phone calls and visitors. She will admit only those, which must be solved with the company manager.

By implementing these measures in the activities of the manager, the following items were achieved:

- his activity began to be coordinated,

- irrelevant visits (friends, personnel from lower levels, incidental visits) during the working period were eliminated,
- time table of work began to have the integrated meaning and solution of single situations lost the problem character,
- he acquired the important time for analysis of situations and strategic decisions [5, 10].

Tab. 3. Financial indicator of the company from the years 2003 to 2006 [7].

Financial indicator	2003	2004	2005	2006
Immediate liquidity	0,07	0,05	0,03	0,03
Current liquidity	0,35	0,20	0,34	0,54
Total liquidity	0,91	0,89	1,07	1,44
Net working capital	-7 714 Sk	-10 491 Sk	7 187 Sk	44 902 Sk
Turn-over of assets	1,92	1,75	1,73	2,11
Turn-over of non current assets	2,95	2,75	2,94	4,32
Turn-over of current assets	5,50	4,84	4,23	4,13
Liability of assets	0,52	0,57	0,58	0,47
Liability of non current assets	0,34	0,36	0,34	0,23
Liability of current assets	0,18	0,21	0,24	0,24
Portion of current and non-current assets	0,54	0,57	0,70	1,05
Portion of current assets	0,35	0,36	0,41	0,51
Portion of non current assets	0,65	0,64	0,59	0,49
Consumption of long term assets	0,88	0,80	0,74	0,61
Consumption of tangible fixed assets	0,88	0,80	0,74	0,61
Consumption of tangible long term fixed assets	0,93	0,74	0,91	0,66
Remission rate of long term tangible fixed assets	0,12	0,20	0,26	0,39
Remission rate of long-term intangible fixed assets	0,07	0,26	0,09	0,34
Turnover of claims	18,00	29,76	14,44	11,61
Average period of settlement of outstanding accounts	20,28	12,26	25,28	31,44
Inventory turnover	8,93	6,23	6,21	6,63
Turnaround time of total inventories	40,86	58,54	58,77	55,09
Turnaround time of operating inventories	10,85	14,5	14,19	13,68
Turnaround time of incomplete production	16,67	24,79	24,09	19,13
Turnaround time of products	13,34	19,25	20,49	
Return of assets	0,01	0,10	-0,06	0,10
Return of equity	-0,70	0,70	-1,32	0,67
Return on sales	0,01	0,05	-0,04	0,05
Return on costs	0,01	0,05	-0,04	0,05
Indicator of financial independence	-0,02	0,14	0,05	0,15
Indicator of financial stability	0,6	0,58	0,55	0,6
Portion of foreign and own investment	-51,33	6,30	19,67	5,67
Portion of own and foreign investment	-0,02	0,16	0,05	0,18
Total indebtedness	1,02	0,86	0,95	0,84
Coefficient of indebtedness	0,99	1,16	1,05	1,19
Indicator of credit indebtedness			0,06	0,13
Credit covering	1,24	345,33	-24,90	16,09
Credit charging profit	4,63	0	-0,04	0,07
Short intensity of indebtedness	0,38	0,47	0,40	0,42
Effect on assets	0,01	0,10	-0,06	0,1
Effect on equity	-0,70	0,70	-1,32	0,67
Effect on foreign equity	0,01	0,11	-0,07	0,12
Cost fastidiousness of sales	1,01	1,09	1,03	0,98
Effect of interest on current income	5,09	1,00	0,97	1,07
Altman Z-score model	2,09	1,60	1,82	2,70

The analysis performed has further uncovered that the lack of defining the competencies of each worker forms the basic fact of unplanned growth – so called organizational faults and thereto related arising chaos. At this level, the company would benefit from the personal audit, which would reveal the problems, where the single actions overlap, who has what responsibility and what duties for a single employee result from this. In the situation when neither the manager nor the personnel will have definite vision of their duties and responsibilities, the company starts to lose money, personnel, customers and also the time. And even in spite of the fact, the firm is further growing. The manager must absolutely exactly clarify for himself the hierarchy of importance of his work as well as the work of his colleague. When making decisions on competencies he must have a distinct vision of his business intentions, and he must provide the personnel with the feeling that they are important for the firm and with the knowledge what the firm expects from them. Basically, it is needed to assign the duties and responsibilities to each employee so that they would not overlap and so that only one specific employee would be responsible for particular performance or work. Such reorganization of work is not at all a simple matter, because as the firm will further be expanding and enlarging, it will be constantly needed to reevaluate also the approach to its organization [6].

The analysis performed has shown that the weakness of the company is also the absence of space. This problem was shown by the personnel beginning to complain that suddenly there are too many employees in one office. With the growth of inventories, the boxes with the goods began to be deposited in the corridors, which started to oppose to safety regulation and another risk arose as well, the one of the free access to the inventories, of no protection and of no responsible person in case of loss or theft.

Resolving the absence of space became not a simple matter for the company, despite the fact the company has free space in its real estates, as this was temporarily leased to its supplier of specific manufacturing performance, on which its manufacturing process is dependent. Before then manager decides on leasing or building up another premises, he should first find out, why he has insufficient space and how many additional premises he optimally needs.

As shown from the implemented analysis, the absence of space in the company was a legitimate consequence of increasing the volume of production and subsequent expansion of administrative staff resulting from the accrual of sales and controlling activities in the quality division related to entering into the new contracts with abroad.

Since obtaining the new spaces is rather a difficult matter for the firm from the economic aspect, the manager must first reevaluate all other possibilities of how to solve this problem. In this respect it is needed to reevaluate how and how efficiently he utilizes the premises currently at his disposal [6].

To measure the overall utilizable internal space, to mark the unutilized spaces in it (for example staircase, cabinets, underpasses, corridors, toilets, etc.) and divide it by the number of workers using this particular room [2].

By calculation he will find out the load of single worksites, so that he could accurately estimate their areas needed for ensuring the reliable company's operation in terms of technology and safety. Variations of the technology will of course result in the new needs. The size of the premises needed by the company in the future will depend on what business intentions it will define. The total necessary surface area represents the total of inevitable area required by the company for staying in business.

Many managers in given situation respond by finding the larger spaces, by renting. But before they make a definite decision, they should think it thoroughly.

If the company only rendered the services, renting some space could be a solution, since moving is not a problem. But as this company uses their services only as the complementary ones to its performance, renting new spaces is not the most suitable solution. If some free premises were available for supplies somewhere close, the absence of space could be solved temporarily this way.

The analysis implemented has shown another, not less important problem: low working morality of the personnel. Absence of the space, confusion, little time and other problems can create unpleasant working environment. By adding the problems such as unclear concept of the company's development and uncertainty, the result is high fluctuation and bad attendance of the employees [6].

To a certain extent also this company is at the market subject to a competition of smaller or bigger companies. One of its disadvantages is that production and processing of iron requires the workers with special qualification. And this can represent a big problem. In the given situation the manager must realise that as far as he want to retain the personnel, he must find out whether the salary and conditions provided by him are not below what is offered by other companies of the similar type. One needs to create the appropriate motivation for the personnel, whether in the form of praise for the work performed or financially motivating remuneration. From the comparison of the four years mentioned it is obvious that the labour costs of the company increased [3].

The important task in the company is played by the people and correctly selected organizational structure. Thus, in front of the manager there is a difficult task, to educate new managers, who would define demanding tasks, who would tolerate failures and who would be able to communicate. As for the personnel, the manager must support their involvement, common communication, he must introduce some symbolic awards as well as support the individual business style. The big problem of the manager is to hire the suitable employees for the new working positions. In many areas and in particular industrial ones, which is also the case of our manager, it is becoming more and more difficult to find the suitable personnel with adequate education in the given area. And it is the professional education, which will be raising the costs in the future.

Many companies solve this deficit by trying to draw experts from other companies. Naturally there is also the possibility that for some special works the manager will lease experts from others companies, or he will train such an employee by himself. However, he never can be sure that such an employee would not be drawn by the competition after he trains him, or that this employee would not start his own business. But if he creates the program such as training for them, offers them possibility of further promotion, provides them with a range of social advantages, or also the portion on the profit of the company, it will be easier for him to retain the personnel. The company growing to fast often forgets the need for trainings, planning and its capability to offer these possibilities to workforce [4].

Majority of economists have agreed that in small and medium firm there are large reserves in bookkeeping. These are generally based on the fact that the rapid unplanned growth of these firms brought the complete chaos into the accounting. This failure to manage the accounting properly results in the insufficient control of receivables and the insolvency related thereto [1].

The insolvency of some firm is directly related to its growth. Basically it occurs in a situation, when the company starts to run out of money due to constant increase of its orders. As the business grows, his revenues and expenditures grow as well.

The company is insolvent if it has to pay before it gets paid. Therefore it is necessary to keep the accurate overview of revenues and expenditures, payments, loans and receivables, as well as of the expected payments. Without the accurate and current accounting documents the company would not know whether it is profitable or not. If the firm has enough work and in spite of that also the financial problems, it is probably that the firm is getting into the secondary insolvency. The companies many times tend to accept all orders, which are offered while forgetting the costs required for meeting these contractual obligations. As long the company does not consider also another, so-called hidden costs, such as the increase of the number of employees, additional machinery and facilities and inventories, the order at the first sight profitable can turn into the unprofitable one [1].

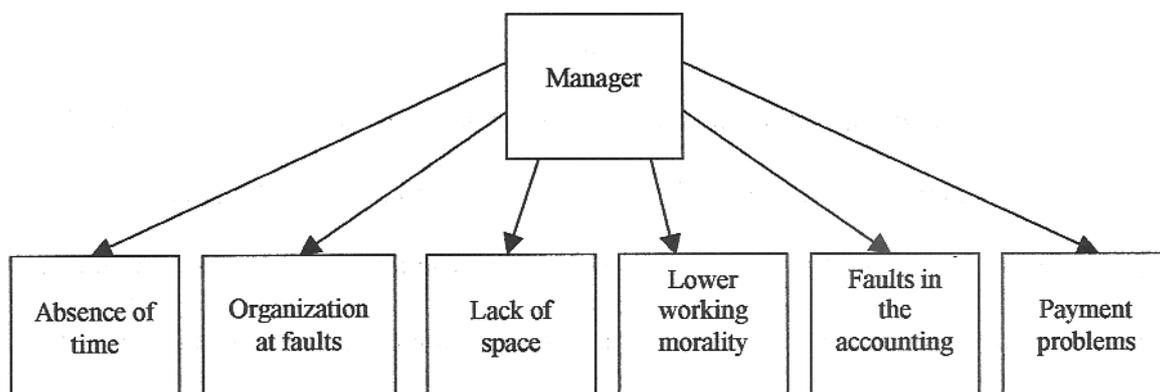


Fig. 1. Main problems [2].

### Solution of the main problems

All introduced problems can definitely be solved effectively. To be mastered by the manager of the firm, he must realize, what is the most important and thoroughly think through the general goals of business activity. At the same time he must consider whether they are practicable. For the majority of the companies it is very difficult to correctly determine which goals are short-term, medium-term, or long-term goals for them.

Basically the manager should pay attention to his goals leading to the visible results and to be accomplishable.

Choosing the correct information is very difficult, since there are pitfalls preventing such a selection. The thing is there are too many incorrect information and lack of correct one. Another problem is that they

are too dispersed and complicated to be responded. In addition, essential information are often confidential and come too late. Manager will never be able to obtain all information, therefore the majority of his decisions is based on incomplete information. Acquiring all existing important information is not possible in terms of time and finances [5].

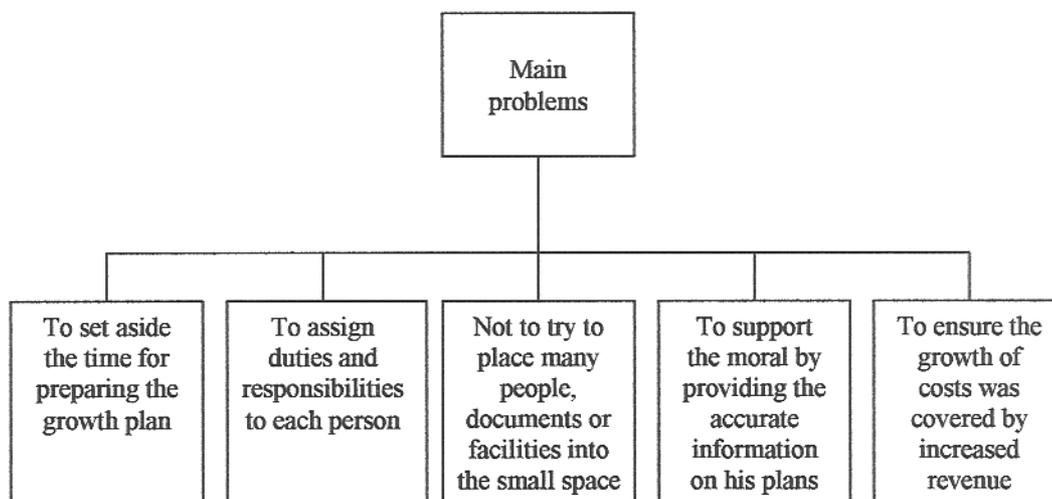


Fig. 2. Forms of solutions of the main problems [2].

In the firm, the manager incurs a problem in respect of a need for better organization of the company's growth, otherwise chaos and confusion occur. By increasing the production compared to 2005 also the production consumption increased, as well as material and energy inputs. The increase of sales for own products was due to the new contracts in the Russian Republic, which of course is very positive, but at the same time it stimulated the need for employment of another employees, whose task is to organize the mutual relations with the countries from the former Soviet Union. At this moment, the manager of the company still does not know, whether the trend of export of his products will continue or not, as the contract was signed only for one year with the option for two years. To the positive increase of revenues mentioned also the distinctly growing exchange rate losses from these contracts are related, which in 2006 were approximately one third above the exchange rate profit. Although this is a very high loss, it is an area, which entrepreneur cannot affect. When reporting the receivables from abroad in the foreign currency he might need to calculate the fact of exchange rate losses. The solution possibly lies in contractual agreement on payments in Slovak crowns. The comparison of the financial results of company in the area of exchange rate losses and profits shows very high differences in fluctuation of foreign exchange rates.

Another problem incurred in relation to the new contracts abroad is that the company has high inventories in warehouses and unfinished production, what of course is not a positive phenomenon. When comparing the balance for the three years we can see the increase of the inventories by almost 100 %. On the other side, short- and long-term liabilities dropped, which is positive. In front of the manager there is a demanding task, to keep the trend of revenues growth and at the same time to keep on minimum the risk that the firm will not keep it and will go bankrupt. The situation will depend on that how the production, administration, warehousing, distribution and of course employees will work. Problems in these areas usually concern the rapidly developing businesses, where there is no time to think on how they are organized [7].

Even though the manager is at the moment comfortable with this breakdown of the managing staff, in the future he might need to expand the administration and accept other employees, who would unload him from sales or marketing.

At the same time he must realize, that even though his firm does not have any significant problems now, due to its constant development there is a risk it could, as a lot of others firms, finish very quickly.

The situation could be the firm is not developing quickly due to the fact it is good, and its products are temporarily sold at large quantities. But unless it finds out why these products are sold and that there is quantity of other producers with the similar products, it can be quickly pushed away from the market by its competitors. Equally, the market for which the company is currently producing its products can start to enlarge for whatever reason. If it does not find out the limit, at which the market will be saturated, its investments might become useless, since it will be left with warehouses full of unsaleable inventories. Providing the production of only one product it is dependent on its existence and can be pushed away from the market by the competitors [3].

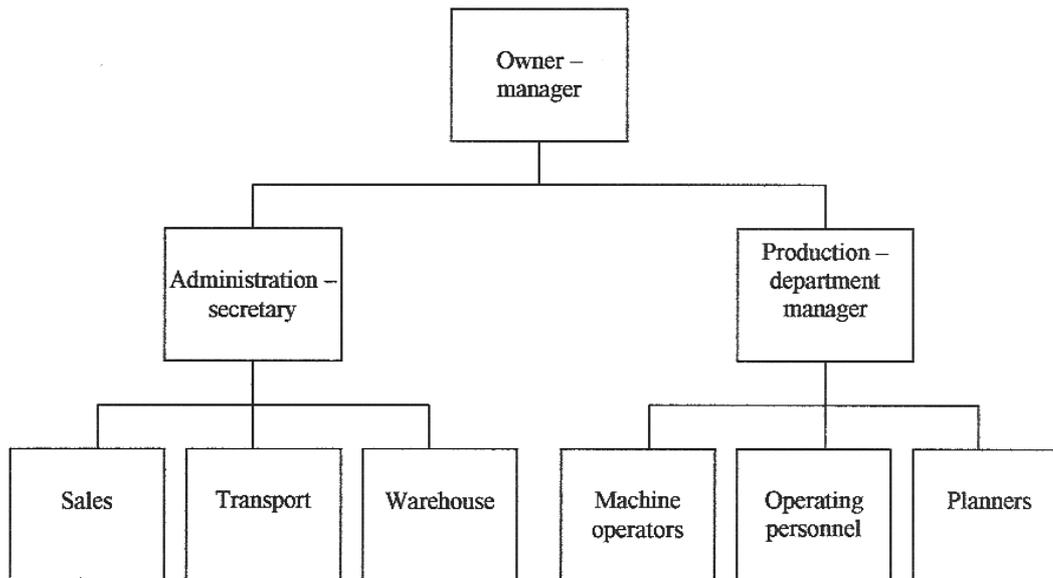


Fig. 3. Organization of the firm [2].

### Planning

In order, that firm would not stops its running, as majority of the firm, it has to start planning, since planning is considered the basic and the first function of management. It is a process through which the manager will formulate and develop its goals and determine the future direction of development and progress of the firm.

Planning in the company represents a planning of development and goals of the company as a whole and of its each division, which are marketing, production, investment, labour force, finances and the like. Determination of the development plan and intentions and goals requires the rapid development of the economy in the world, of the technical progress, limited sources of energy and raw materials, but also the changes of political conditions. With changing conditions of the economic development also the managers realise the need for observing the environment. One of the important characters of the entrepreneur these days is the ability to think strategically, i.e. to have the priority orientation towards the customer, to observe and to evaluate the competition [2].

The business plan displays the total activity of the firm for specific time period and it reflects the business strategy. The liquidity plan, or the prognosis of revenues and expenditures forms the inseparable part of the business plan. The financial plan expresses in numbers what the business plan expresses in words. Is it actually the prognosis of incomes and expenditures for the next 12 months or for the longer period. One of the main reasons of failure of many companies is underestimation of the financial plan, because the detailed monitoring of financial flows allows uncovering in time the possible lack of financial resources. Especially important with the financial plan is not undervalue its overhead costs (rent, local charges, wages and salaries, insurance, energy etc.), which often are higher then many managers think.

Another cause of failure is overestimation of the sales volume, when the company does not keep in mind the possible seasonal oscillations [4].

The model company does not have a seasonal character and presently it has domestic as well as foreign customers, however it still has to remember that in case of lack of raw materials on the market it can get into the financial problems [7].

We can formulate the basic rule of building the company: at first we need to establish one good unit and then we can expand it or establish another one similar elsewhere [6].

Also in our firm, the manager was considering establishing its own branch in Russia instead of supplying its products to the external company. In his consideration he did not fully appreciate the fact that differences existing between enterpreneuring in Slovakia and in Russia are such apparent that it would cost him a lot of financial resources, which he would have to draw from the company in the Slovakia. Therefore he decided that as the first step he would sign the contracts with the Russian company, which he supplies with his products and as far as his decision would prove correct, he would begin to consider establishing the subsidiary in Russia [7].



Fig. 4. Business plan [4].

He realized the significance of the foreign trade, its complexity and pitfalls and of course the importance. Accordingly he came to conclusion that every company wishing to go ahead must learn to search for the customers. The manager therefore considers employing the dealer, who would fulfil this function. A lot of firms marginalize this fact and many of them neglected even the selection and training of their sales agents [ 6 ].

Our manager is also aware that neither the competition sleeps and it is necessary to take it into account. It must motivate him and protect him from stagnation.

The director of the firm has decided to perform the in-depth analysis in this area oriented towards:

- the customers, by means of orientation to quality and the company's brand
- the competitive behaviour and competition on the market
- the systematic planning when entering the new market
- the implementation of computer support for marketing planning [4].

The management of the firm is aware that they have achieved a considerable qualitative standard of their products. In order to move further along, they have to process and evaluate the partial features of individual products forming a relative quality in connection to meeting the needs of the customers.

The analysis of quality performed at the unnamed company revealed two problems related to durability and stability of the products and to connection to state and international norms:

1. The analysis of durability of the products came to conclusion that due to processing of the raw material just before finalising of sheeting and gentle treatment, the material is becoming unstable and after some time the cracking occurs at the lower temperature.
2. The only alternative of solving this problem was pre-heat treatment with the consequence of increasing the energy inputs.
3. Another problem was unsteadiness of the products, mainly in skids of smaller diameters. The customers complained that after the delivery of the products, the material after some time changes its surface constancy and that the surface scales off. The analysis proved the storage spaces are unsuitable for this type of products due to high moisture and unsteadiness of the environment.
4. The management of the firm has decided for the economically most simple solution, for implementation of fully automated air conditioning units.
5. The problem of state and international norms was solved by launching the uniform appraisal of construction and user properties using the world's renowned standards of DANIM 10 – 5698, which comply with the traditional idea of quality assurance. Shortly after implementation of the measure more than 96% of the customers expressed their interest in appraisal of our products and their quality.
6. As for the orientation toward the branch of the firm it was revealed that at the final customers' and intermediaries', if the products were stored in warehouse with the ones of other suppliers, their aesthetics, style and design were featureless and the products as though they lose their identity. Based on

this the company decided on preparing the analysis set up on evaluations of the customers upon their discretion and their proposals for labelling of each product. Upon this information the specific coloured labelling of each product was created as well as its packing with regard to the firm colours. The products thus received a new image and they became comparable in the competitive environments by the strong homogeneous element [1, 8].

During the analysis of the competitive behaviour and competition on the market the firm encountered its competitors, who overtook our firm in the ability of growth, i.e. they directed their production capacities and financial flows in a way to manage any movement on the market and to cover its demand with their products.

Since the expansion of the production in the company was postponed for the next three years in terms of investment resources, they have decided to eliminate this handicap by often more critical factor - by speed of reaction and delivery of the goods to customer [7].

All free liquid reserves and full-capacity production load had to be activated, as well as utilization of these capacities for launching the new products, which could be very quickly offered to the customer [2].

After implementing these measures, the three products became the drafters in the sales, where the 30 % growth of sales was recorded and coverage of more than 70 % of the market.

They have decided for the expansion of the firm in the form of entering the Russian market, which is developing rapidly and has a big potential. During determination of the goals of entering this market is necessary to take the profitability of the company, liquidity and preserving the capital and his substance into account. For making sure in its prognosis the firm let an experienced, professional firm prepare a strategic knowledge of the market. The implemented analysis supported by the professional opinion contained also the possible alternatives of entering the market with regard to the marketing strategy. Based on such acquired knowledge, the management of the firm have decided for entering the market with specifically defined range of best-sold products and two new established products [7, 9].

The most important decision of the management of the firm in the given situation was implementation the of computer network for marketing planning. The implemented information system supported the decision-making process at all company levels and divisions from internal and external information. The most important element of this system was alignment and integration of information from all sources (economy, production, trade, market information) into the overall output.

This enabled in rather a short time to get information regarding:

- launch and innovation of products with competitors and their analysis compared to the products of the company,
- faster reaction on steps of the competition with regard to the types of products and their quality,
- faster conclusions at decision-making process in respect of preparation of launch of the new product on the market [4].

### Conclusion

However the assumed minimum and maximum development of the company can be satisfactorily estimated for the period of approximately five years, it will be necessary to determine the future needed number of employees, facilities and space. The mutual relation among the utilization of new technologies and demands on working force is very complicated and its steadiness will certainly be wobbly in the next years many times.

On one side, new technologies and machinery require the professionally skilled employees to operate well, who could work with them. On the other side, modern machinery will replace the labour force, therefore its need can be decreased in the future.

The planning of the future direction and growth of the firm is not anything static and it requires constant monitoring of manufacturing and commercial processes. It is very important to gather fresh information before any decision is made and to fully re-elaborate the original plan if needed. The priorities need to be defined depending on actual sources, expected incomes and assumed profit [6].

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