

The Basic Principles For Achieving Success Through Accurate Financial Analysis And Management Automation Of The Organization

ABSTRACT

This article is a scientific research, where are highlighted such issues as effective management and control of the financial resources. Taking as a basis international experience and own approaches, we offer some solutions, which can significantly contribute to the improvement of the business processes within an organization. In particular, giving businesses the right to operate more freely by reducing administrative impact, and automating various processes within the organization will enable the transition from resource-intensive management to resource-saving management, which in the long run will improve organization's competitiveness in both domestic and foreign markets. In this article the authors also refer to the system of cost normalizations within The Eurasian Economic Union (EAEU) member states, revealing the gaps in some legislative acts and provisions, and suggesting the use of alternative mechanisms.

Keywords: inflation substitute, elasticity, efficiency, cost estimation methodology, SMEs, CRM system, imposed technologies.

1. INTRODUCTION

The modern world is on the path of globalization, and now it is considered the most modern way of deepening economic relations between countries, within which both internal and external challenges are hidden. Nowadays, these challenges are numerous and multi-vector, and they regularly have their impact among micro and macro subjects.

When talking about private institutions, it is critical to note that the above-mentioned challenges are conditioned by various factors, such as ensuring the organization's competitiveness over the short term and long term, strengthening and maintaining its position in internal and external markets, further progress, etc.. Nevertheless, the solutions to the problems and the options of overcoming the challenges should be mostly discussed in the financial sphere. All the listed challenges become manageable when the business entities develop a toolkit that is aimed at the effective management of the financial resources of the organization. As for state institutions, they also face various problems, the solutions of which mainly require an emphasis on reasonable financial management. It is noteworthy, that the discussions on how to effectively manage finances can not be conducted in a single sector, either private or public, as they are closely interlinked and complement each other. In the case of public-private partnerships, legislative changes can be a stimulus or an obstacle to the management of the financial resources, depending on which the organization's commercial activities can be limited or expanded, which in turn can increase or decrease tax revenues to the state budget.

In another case, when the organization adopts a retrograde policy, that is, the business processes within the organization are built on the basis of traditional approaches and not by

the automation of the latter, financial assets are used in inefficient ways. However, in the long run, the organizations, that follow a path of mutual cooperation (public-private sector), carry out precise financial planning, management, as well as make use of the opportunities provided by high technologies, will succeed. At present, the use of the above-mentioned ways for increasing efficiency is not pervasive, but in the difficult market conditions their use is gradually becoming inevitable. These and other problems and solutions will be discussed in detail in the following section.

2. DISCUSSION AND RESULTS

When talking about for-profit organizations, it is first necessary to deeply analyze the internal and external policies of the organization, which, compared to other factors, is mostly conditioned by the accurate planning of the financial resources. Apparently, the organization's stable position and further progress in domestic and foreign markets are also conditioned by the implementation of effective policies and the development of appropriate strategies, depending on the type of organization.

It is known that the main goal of any for-profit organization is to ensure maximum profitability with minimum efforts. Therefore, this refers not only to the organization as an object, but also to the economic entities operating in the various subdivisions within the latter (top managers of the administrative departments).

It is noteworthy that the following idea comes from the above: along with the expansion of the financial capital of the organization, the financial status of the owners improves, which in turn can be a stimulus for the development of an effective motivation policy for employees (bonuses, perks, etc.).

At the same time, making the maximum profit should not push business ethics and social responsibility into the background, as in modern conditions, in the long run, organizations with high ethical standards and high social responsibility's push irresponsible organizations out of competition.

As we mentioned in the beginning, in order to ensure effective performance of the organization, three preconditions are necessary, that is, effective policy-making, development of effective strategies, and accurate planning of financial resources. Let us now present the three preconditions thoroughly.

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1. Pursuing effective policies
 - 1.1. Ensuring a leading position in the competitive market, effective organization of business processes and implementation of such functions, that will be the basis for progressive growth.
 - 1.2. Given the fact, that in today's geopolitical reality the share of e-commerce in the world trade is growing day by day, it is important to develop and implement the appropriate marketing strategy, taking into account business globalization and the continued use of information technology (IT).
 - 1.3. Application of flexible, differentiated and productive approaches in business processes, which will provide innovative impetus to the processes taking place within an organization.

1.4. Hiring employees with considerable brain power, who are multi-profile, high-

N	Cost price per product – 1000\$
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qualified, in line with the turnover of the organization, as employees are considered as a strategic asset for the development and competitiveness of any organization.

1.5. Applying a human resource management methodology that will not only provide huge motivation to employees, but will also ensure a higher productivity, as there is a positive correlation among employee satisfaction, organization's rating and market value. Therefore, it is necessary to create a department, which will deal only with the acquisition of talents and their further training. In any case, such functions should not be performed by other departments, like accountant or deputy director.

2. Development of effective strategies

2.1. Depending on the field of activity, accurate definition and optimization of costs, in compliance with the existing provisions in the legislative field.

2.2. Adoption of a costing methodology that will increase net profit by ensuring a regular inflow of financial resources. In particular, it refers to the types of expenses, which, according to the existing provisions in the legislative field, the business entity (taxpayer) is not entitled to fully consider as tax expenses.

2.3. On the basis of the internal and external trade turnover of the organization, prefer "cost price oriented toolkit" policy proposed by economists S. Galstyan and K. Margaryan, according to which, when building relationships with partners, the belonging to the tax system, the pricing strategies applied by other organizations, which are selling similar products or services, and also general structure of the payment system should be given priority in order to avoid risks and bank expenses (fees), as bank fees are considered overhead costs, and they are usually not included in the cost of goods or services received, which in turn puts additional strain on the transaction parties, particularly the beneficiaries and benefactors. Due to the fact that the beneficiary does not have clear information about the received product or service, it may result in additional complications during cost allocations. It should also be noted, that in addition to bank expenses, marketing, representation and other expenses, that are considered as overhead, mostly need to be clarified.

3. Accurate financial planning

3.1. Carry out financial planning with high accuracy: compile a complete picture of annual, monthly, weekly, daily and hourly turnover in accordance with the strategy adopted by the organization.

3.2. Combine the discount strategy with the elasticity method in order to gain a competitive advantage in the market (Table 1).

3.3. In parallel with the above, depending on the field of activity, take into account changes in the authorized capital under certain conditions, such as changes in the structure of the organization's assets, volume changes in the total turnover portfolio, and, of course, changes in income, gross profit, net profit. Use the "Inflation substitute" method proposed by us, according to which the elasticity of the organization under certain conditions can be considered not only on the two-dimensional space, applying only the price and the demand, but also in the three-dimensional one, including the organization's rating as well.

To make this more illustrative, let's examine the Table 1.

Table 1. The effective discount strategy of the organization for one product

X% markup							
	Cost Price (\$)	Cost Price + Markup (\$)	Difference (Profit) (\$)	Quantity	Difference in quantity	Percentage change in quantity	Discount
1	1000	1300	300	1	0	0	0%
2	1000	1270	270	1.111111111	0.111111111	11.11111111	10%
3	1000	1240	240	1.25	0.25	25	20%
4	1000	1210	210	1.42857143	0.428571429	42.85714286	30%
5	1000	1180	180	1.66666667	0.666666667	66.66666667	40%
6	1000	1150	150	2	1	100	50%
7	1000	1120	120	2.5	1.5	150	60%
8	1000	1090	90	3.33333333	2.333333333	233.3333333	70%
9	1000	1060	60	5	4	400	80%

As it becomes clear from the table, in any case, applying a discount directly forces to increase not only the productivity, but also the rating of the organization, and by a higher percentage than the discount. And the idea of "inflation substitute" is conditioned by the opposite effect: the higher is the rating of the organization in the competitive market, the more the organization dictates increase in the price level, which ensures a higher level of profitability. However, there are many risks behind the latter, the most important of which is the decline of the rating level, and the market segment the organization operates. That is why it should be noted that the idea of "Inflation substitute" is more applicable in the stage of economic activity, when the value of the organization's assets is the highest.

In addition to the above, it is necessary to address one possible circumstance, namely the balancing of turnover. We suggest using systematic costing tactics in balancing, in particular:

- To determine depreciation expenses of fixed assets monthly, which will not only reduce the chances of making mistakes, but also will make it easier to obey the rules applicable to amortization deductions. For example, VAT taxpayers can determine the method of the amortization of capitalized expenses by comparing the net book value of January 1, before the end of the reporting period.
- Carry out regular (daily) comparative analysis of the cost of goods purchased, as in many cases disagreements may arise between the staff of the "other subdivisions" and the administrative staff. Therefore, the employees of the administrative department must have precise information about the product price change in order to make a decision on the need of purchasing the product.
- Initially develop a financial and an accounting program that in any case will allow the business entity (taxpayer) to integrate into the new tax system, which will allow to avoid the economic entities that carry out speculative activities.

It is very important to pay more attention to SMEs within the whole costing system, and to develop a normative costing policy, which will not violate the interests of SMEs, and also will increase their economic activity reducing the administrative influence and providing them with wider opportunities to monitor tax expenditures. And, re-evaluating the existing and expected risks, it is necessary to provide certain privileges of indirect taxes especially among the turnover taxpayers. In particular, to set expenditure thresholds regarding to personnel training expenses, incoming and outbound business trip expenses, marketing and

advertising expenses, representative and management expenses, and to provide privileges for considering them as tax deductions. However, before implementing the idea, more attention should be paid, especially when conducting risk assessments, so that there is no stagnation within the budget.

The above-mentioned statements become more than obvious when we study the methodology used among taxpayers operating in the simplified tax system regime of the EAEU member states. In the Russian Federation If necessary documentation is available, economic entities, regardless of the affiliation of the tax system, have the right to consider a number of indirect costs (business trip expenses, advertising expenses) as tax deductions, accordingly reducing the gross income [1]. The same principle applies in Kazakhstan, with the difference that a stricter documentation mechanism is used in order to avoid risks [2]. As for the Republic of Armenia and the Republic of Belarus, the business entities operating among simplified taxation system do not consider indirect expenses as tax deductions.

In order to avoid the above-mentioned risks, stricter documentation requirements should be established. It is also needed to set appropriate rates conditioned by the maximum turnover threshold for the turnover taxpayers, to establish a legislative act, which will record the fact that especially during indirect tax costing, in case of revealing the forgiven debt (hidden income) due to the existence of speculative processes, stricter sanctions (fines and penalties) will be applied.

According to the statistics for 2020, SMEs make up over 90% of all firms worldwide. They provide 70% of the total employment and their share in the world GDP is 50% [3]. Thus, we can confidently say that SMEs are the main players in the economic recovery, so the main targets of the countries should be the promotion of them through various mechanisms. In this context, it should be noted that the implementation of the above-mentioned changes in the SME sector is of paramount importance in the sense that small and medium-sized enterprises solve such vital issues for the state, as reducing unemployment, eradicating poverty, etc.

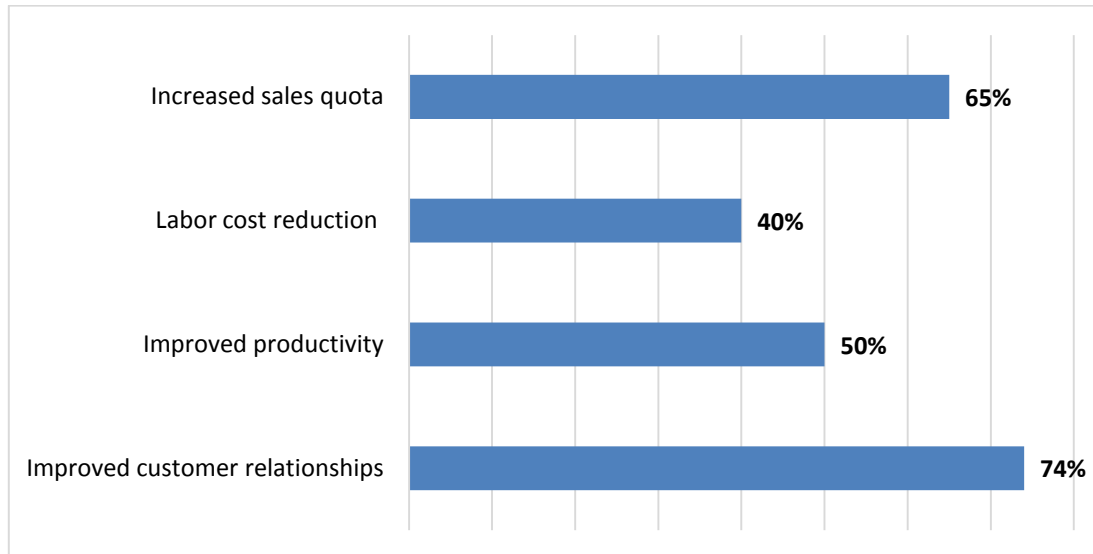
The automation of business processes is of particular interest from the point of view of the effective financial management of the organization. It has enabled many organizations around the world to reduce costs several times and to switch to a resource-saving model of management.

Automation systems have significant advantages, but in case of misrepresentation, it can lead to a number of negative consequences, which must be taken into account by businesses before investing in the organization's management system. First of all, it should be noted that business automation tools, such as CRM (Customer Relationship Management), should be perceived by employees not as a tool, through which managers and owners try to control them, but a tool, through which the effective resource management is carried out. The latter significantly increases the organization's profitability, which in turn allows the management to improve the financial condition of its employees, which is an additional motivational factor for employees to maintain loyalty to the organization. However, the CRM system can not be considered as a guarantee of success, as it is a digital tool, the effective use of which depends mainly on the user. In other words, in addition to introducing that system, the management must apply new approaches to employee monitoring.

Let us now present the advantages, which, according to a number of studies, have been obtained by various businesses operating in the world by implementing a CRM system (Figure 1) [4]. The evaluation of the effectiveness of the CRM system was carried out based on the Return on Investment ratio (ROI). Return on investment (ROI) is calculated by

dividing the profit earned on an investment by the cost of that investment (multiplying by 100%). It is used to calculate the benefit an investor will receive in relation to their investment cost. In other words, with the help of the following indicator, the economic entity or business is able to understand how much profit or loss it has received while investing.

Figure 1. Positive shifts in business processes due to the introduction of CRM system



Apparently, it should be noted that the implementation of the above-mentioned systems is a time-consuming process and requires a comprehensive analysis of a number of factors. First, it is necessary to make a brief description and differentiation of all processes within the organization, and to decide which process should be automated and which should not, depending on the characteristics of the process. In addition, it is very important to prepare employees for these large-scale changes, because it introduces not a new tool of management, but a new culture, a transition from the traditional management model to a more modern model, which must be used first of all by sellers of the product or service and it should happen like this: specialists in the field should introduce the implemented systems, organize courses, continuous trainings, provide regular consultation, etc.

In our opinion, the implementation of all this not only increases the productivity of the organization in whole, but also ensures the competitiveness of employees in the labor market. In this context, it is noteworthy that there are mutual interests, that is, the implementation of automated management systems is in the interests of both the organization and employees.

The use of these systems also has indirect positive consequences. As the accurate analysis of the data already shows the general logic and financial position of the company, and taking into account the fact that banks and a number of other financial institutions are the main source of business financing, it can be assumed that attracting funds and bilateral cooperation is becoming easier due to the automation of business processes.

However, these technologies are more applicable in large organizations, as the latter, compared to SMEs, have a wider range of management functions, which can not be

considered realistic just only in terms of ensuring maximum efficiency in the use of human potential.

To summarize, despite the efficiency and relevance of CRM technology, only 13% of companies consider investing in CRM to be one of their top sales priorities [5]. And given the fact that over the next few decades, depending on the competition, business automation around the world will look more comprehensive, companies must already begin the process of modernization using technologies imposed by time in order to avoid unwanted challenges in the future.

3. CONCLUSION AND RECOMMENDATIONS

After the study about the effective financial management of the organization, we come to a number of conclusions, which are presented below.

1. One of the fundamental roles in the effective activity of any organization plays the state, and the states that pursue the easiest, clear fiscal policy, within which the existing laws are free from imperfections, gaps, have a more stable, non-vulnerable business environment.
2. Depending on the different costing mechanisms available in the countries, the uncertainties of the development of business activities are different, which, depending on the field of activity, significantly affect not only the distribution of assets and liabilities of the organization, but also the equity. The work addressed some of the shortcomings of indirect costing among organizations taxed by turnover tax in the EAEU member states, as a result of which economic entities are often unable to carry out effective economic activities.
3. The discount policy on a scale of 0-80% in the case of one product was modeled in the organization, as a result of which it became clear how much the sales of the discounted product should be increased in order to justify the latter, which in turn will increase the organization's net profit.
4. Economists S. Galstyan and K. Margaryan proposed a new term, "Inflation substitute", according to which the elasticity of the organization under certain conditions can be considered not only on the two-dimensional range, applying only the price and demand, but also in the three-dimensional one, taking into account the rating of the organization too.
5. The work focused on the automation of business processes, in particular, the use of CRM systems, through which organizations will be able to reduce the use of financial resources several times, as well as significantly increase the company's profitability.
6. In order to make the effectiveness of CRM systems more substantiated, numerical data such as the reduction of labor costs, the improvement of productivity due to the implementation of the above-mentioned system was studied, which prove the feasibility of the application of that system.

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