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## **The essence of economic analysis and its role in a construction company management**

**Abstract**

The analysis is a method of scientific investigation of phenomena and processes (in the case under consideration, the economic activity of a construction enterprise), which is based on the study of the component parts of the system under study in order to identify its characteristics and development trends.

The main goal of analysis is to assess the current state of the economic management object and identify trends that determine its further development.

**Keywords**

analysis, construction company, economy, essence, management

**1 Statement of the problem**

The analysis of complex economic objects will consist of the following main stages:

- 1) isolation of the analyzed object from the environment;
- 2) decomposition of the object into components that can be described and evaluated;
- 3) description and formalization of all components of the object;
- 4) determination of external and internal factors affecting the state of the object;
- 5) selection and justification of indicators for assessing the state of each component of the facility;
- 6) gathering the necessary information and conducting an assessment of the state of each component of the facility and determining the trends of their development;
- 7) composition of the components of the analysis object and conduct of a comprehensive assessment of the current state of the object, taking into account the interaction of all its components;
- 8) determination of trends in the development

of the control object state.

Thus, at the present stage one of economic analysis main tasks is to provide reliable information necessary for making effective decisions in the process of managing the national economy as a whole and all its branches, as well as individual enterprises.

The activity of any construction company should be purposeful, that is, it is expected that a certain result will be obtained in its result, depending on the resources at the disposal of the enterprise, degree of risk factors, state of the external and internal environment of the enterprise, conditions in the external environment (Figure 1) [1-3]. Practice shows that as a result of the influence of many socio-economic and political factors, problem situations arise in which the results obtained differ from those expected or planned.

In this regard, a number of issues arise that can not be solved without analysis: identifying the causes of the current situation, choosing the most effective alternative among the set of prescribed alternatives, the appropriate use of the enterprise resources, etc.

Thus, it can be concluded that analysis in the management of the company has a very great lasting importance as a source of obtaining reliable

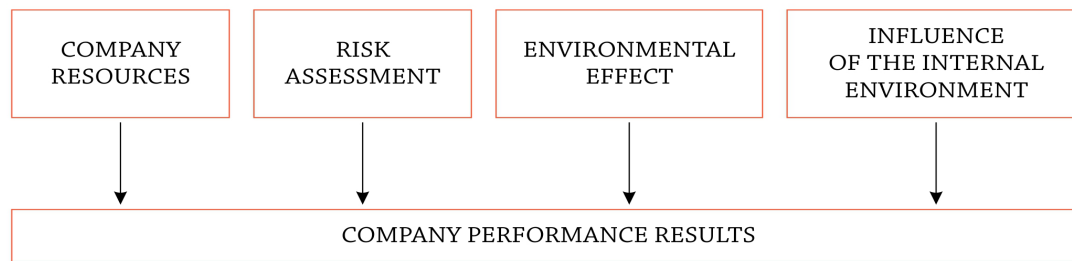


Figure 1 Factors affecting the result of a construction company activity

information and is an important stage in the adoption of any management decision.

The analysis is studied by many sciences. But the analysis of financial and economic activity and its final results determines exclusively the field of economic analysis. Analysis in the broadest sense of the word is engaged in the theory of economic analysis, and in a professional sense, the economic analysis of the financial and economic activities of a construction enterprise is determined by methods that allow to determine the characteristics of the current state of the production process and the prospects for its development in accordance with the trends in the

development of the external environment.

## 2 Results of the research

The economic analysis is closely connected with the planning of the economic activity of the construction enterprise. Instability and uncertainty of the future in the conditions of the market led to the fact that planning from the past to the future (from achieved), widely practiced in our country earlier, became inefficient. Hence, the impossibility of making a decision without a preliminary

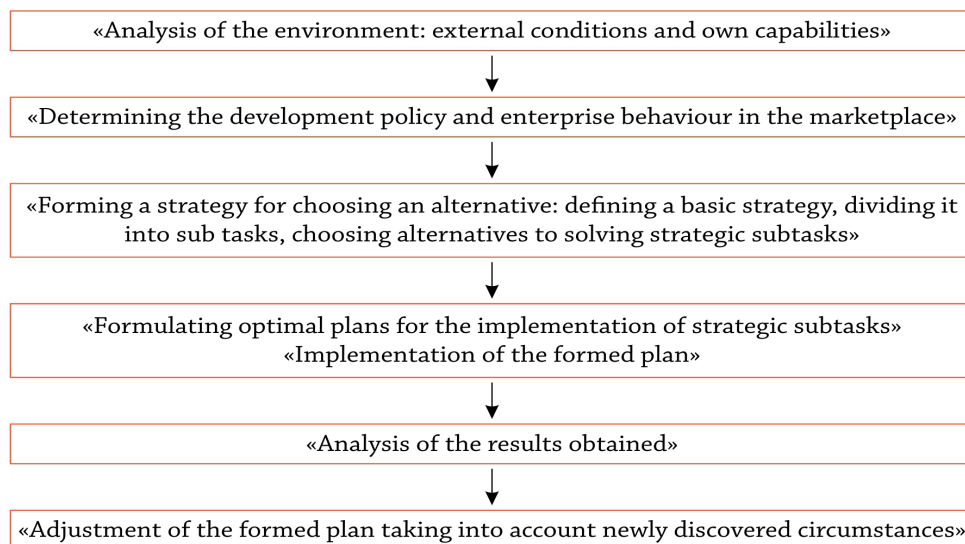


Figure 2 Scheme 1 of the strategic planning process

definition of a strategic plan for the future became quite obvious. Therefore, it is necessary to carry out the planning in accordance with the given goal taking into account the tendencies of the environmental development of the construction company, i.e. to plan from a given goal, or from the required state of production to its present or current state, determining effective conditions and the necessary resources to achieve a given goal.

Strategic planning is a process of selecting the development objectives of a construction company,

justifying a strategy for their implementation, with the obligatory condition of solving the social problems of the enterprise. For example, a financial strategy is a master plan of action to provide an enterprise with cash, and therefore all the resources necessary to achieve its objective [4].

The number of strategic planning stages, content and their sequence may vary depending on the size of the enterprise, type of ownership, scale of the activity and other factors. But analysis is a necessary and mandatory stage of strategic

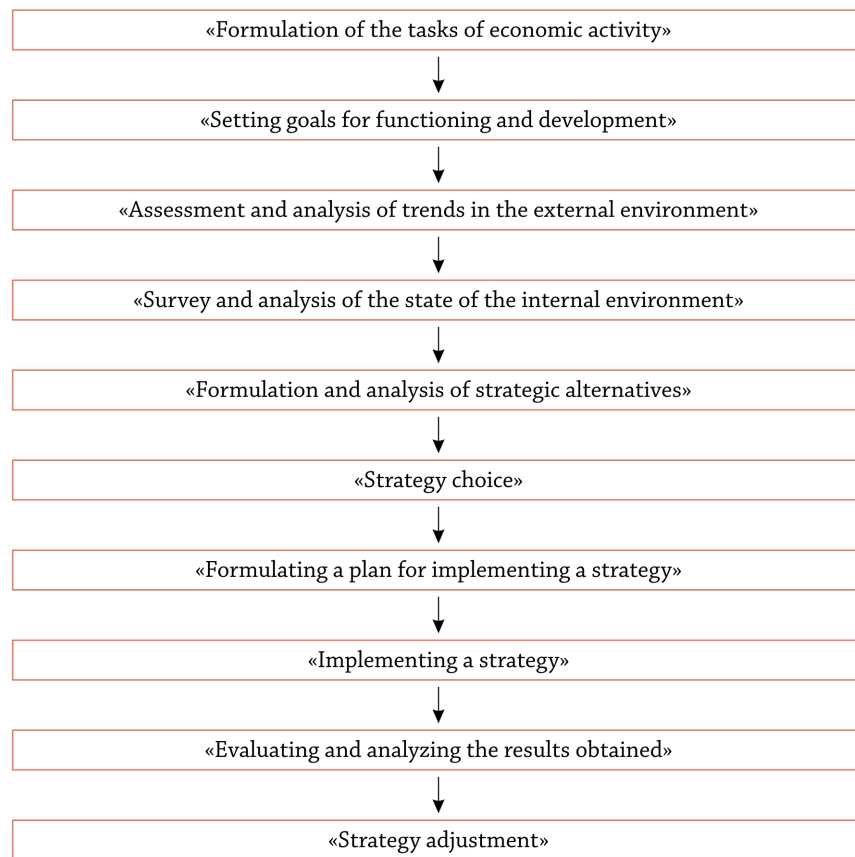


Figure 3 Scheme 2 of the strategic planning process

planning, regardless of the above factors, which is clearly shown in Figures 2 and 3.

The above schemes show that any process of strategic planning should begin with the study and analysis of the environment and the trends of its development, necessary to obtain information that is lacking for making optimal management decisions, and to finish analysing the results.

At the same time, the adoption of optimal management decisions in the market is one of the most important problems in improving the efficiency of the construction company, which is helped by the study of management theory and management decision-making. The theory of managerial decision-making starts from the multivariate and choice of the most effective

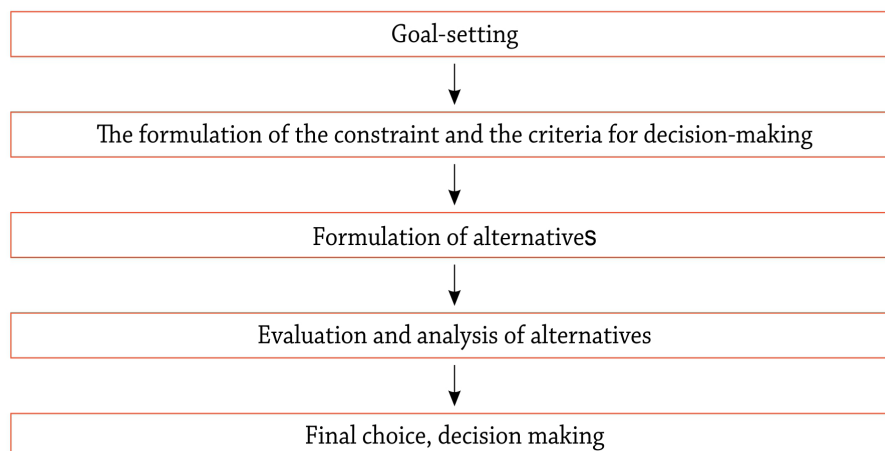


Figure 4 The main stages of the process of making a rational management decision

variant from the identified alternatives in the conditions of uncertainty and the influence of various factors on each individual variant.

Choosing the best option requires the development of possible courses of action and their justification by conducting economic analysis to obtain information that allows an assessment of various management options. In the most general case, the main steps in the process of making a rational decision can be represented as follows (Figure 4) [5, 6].

Free market economy, organization and management are impossible without the use of marketing principles, development of a well-founded marketing program. Marketing programs and control over their implementation are impossible without analysing the impact on the economy of an enterprise external and internal environment, analysing the state of the market, analysing the competitive environment, analysing market prices and conducting its own price tactics, analysing the final financial results.

Consequently, economic analysis, as a source of necessary and reliable information, is one of the important components of scientifically based management of construction production.

The subject of economic analysis is understood as the economic processes of enterprises, associations, socio-economic efficiency and the final financial results of their activities, formed under the influence of objective and subjective factors, which are reflected through the system of economic information. That is, economic analysis deals with the economic processes of enterprises, associations, other units and the final production and financial results of their activities [1,7, 8,9].

In turn, the analysis itself also relies on the initial or primary information about the object under study and the phenomenon. As the information base of the economic analysis, use the

planned and forecast information, the company's accounting data (accounting, statistical), certain specified economic parameters (tax and interest rates, insurance payments, industry profitability levels and others).

The analysis makes it possible to establish and quantify the relationship between the final results of the enterprise's activity and the factors introduced into production (material, financial, human, information, temporary) that it uses to manage the current activity and development of the construction enterprise.

In the process of economic analysis, a number of problems are posed, among the most important of which can be attributed [10, 11]:

- increase of the scientific and economic justification of business plans and standards (in the process of their development). In general, the business plan is an analytical document consisting of a number of sections, each of which includes a certain system of indicators. Increasing the scientific and economic feasibility of business plans and standards is achieved, first of all, by carrying out a thorough retrospective analysis of the results of economic activity. For example, the construction of time series of changes of interesting indicators over a considerable period allows us to establish certain economic patterns and trends in economic development. For this, the main sustainably acting factors are identified that have rendered in the past and can have a significant impact on the financial and economic activities of the construction enterprise in the future. The retrospective and current analysis concludes with a forward-looking forecast, which gives a direct exit to the planned and assumed indicators. In all cases, methods of comparative analysis of the final

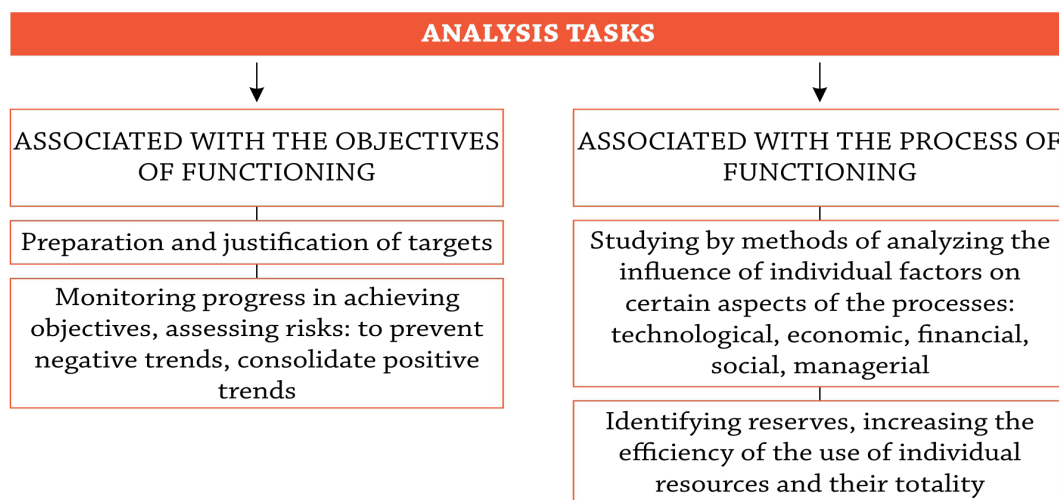


Figure 5 The main tasks of economic analysis

production and financial results, indicators of the socio-economic efficiency of enterprises and organizations are used. Thus, business plans are justified by the necessary economic calculations;

- an objective and in-depth study based on accounting and reporting data, the implementation of the processes established by the business plan and compliance with the standards by the number, structure and quality of the products, works and services performed;
- control over the implementation of the requirements of commercial calculation and evaluation of the final financial results;
- determination of economic efficiency of the use of labour, material and financial resources;
- identification and measurement of internal reserves at all stages of the production process. The real usefulness of economic analysis is also in the identification of unused reserves at

all stages of the production process;

- justification and verification of the management decisions optimality.

Making an effective management decision, revealing its rationality or optimality is possible only on the basis of economic analysis. Hence, the main tasks of economic analysis can also be represented in the form of a scheme (Figure 5) [12].

### 3 Conclusions

Thus, the essence of economic analysis is determined by a comprehensive study of the activities of a construction enterprise in accordance with the goals set, submitted through the system of economic information. Without obtaining this information, it is practically impossible to organize effective management of a construction company in dynamic and unpredictable environmental conditions.

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