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Organization of implementation of anti-crisis strategy at the enterprise LLC “ICDD”

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Thesis abstract

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Title of thesis: Organization of implementation of anti-crisis strategy at the enterprise LLC "ICDD"

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An object of the research is LLC "ICDD".

The purpose of the bachelor's thesis is the development of a restructuring strategy for LLC "ICDD".

Based on the financial and economic analysis of the company the crisis was confirmed and high probability of bankruptcy was identified.

The marketing analysis allowed identifying the most demanded type of products as well as allocating the main competitors of LLC "ICDD".

The particular strategy of business restructuring was developed and the implementation activities were described.

Financial project evaluation was conducted and the following indicators were calculated: rate of return, discount rate and net present value of the project. Commercial attractiveness was estimated by calculating the internal rate of return and the profitability index.

Implementation of the restructuring strategy at LLC "ICDD" will lead to better crisis management and will increase the company's net profit.

Keywords: anti-crisis management, anti-crisis strategy, restructuring, SWOT-analysis, crisis, financial and economic analysis, probability of bankruptcy, financial evaluation of the project

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Terms and Abbreviations

IT	Information Technologies
LLC	Limited Liability Company
ICDD	Institute for Content Development and Distribution
VAT	Value-added tax
ROS	Return on Sales.
ROE	Return on Equity
ROA	Return on Assets
STS	Simplified Taxation System
NPV	Net Present Value
IRR	Internal Rate of Return
PI	Profitability Index
ERP	Enterprise Resource Planning
CRM	Customer Relationship Management
BI	Business Intelligence
B2B	Business-to-Business
FZ	Federal Law

INTRODUCTION

In the times of political and economic instability one of the most important problems for ensuring activity of each enterprise is necessity for quick respond to changes in environmental conditions. Any business activity is subject to the risk of hit in various crisis situations that can entail both certain financial difficulties and bankruptcy. For this reason, the anti-crisis management implying a complex of actions directed to prevention or elimination of the adverse crisis phenomena comes to the forefront now.

The timeliness of the topic of bachelor's thesis is also caused by the fact that, firstly, anti-crisis management plays an important role in economic recovery and improvement of country's fiscal position. Secondly, despite the fact that annual figures of unprofitable entities in Russia over the past few years have positive dynamics, improvements are not considerable. Profitless companies still constitute about one quarter of all large and medium-sized enterprises and organizations of the Russian Federation. Official statistical data during the period from January to August 2016 says that the share of the unprofitable organizations constituted 29,5%. It implies growth by 1,2 percentage points in comparison with the same period of previous year. The balanced financial result of organizations (profit minus losses) amounted to 6,97 trillion rubles. The cumulative loss of 15,1 thousand companies – 1,08 trillion rubles.

In most cases the violation of the entity's solvency is a result of the discrepancy between the company's strategic management and the current trends in the market. Therefore, in today's situation the special value is given to creation of the productive management system considering a financial and economic position of the enterprise and strategic objectives of its activities. Abovementioned approach is firmly connected with anti-crisis management that also determines relevance of the research topic.

The purpose of the thesis is development of restructuring strategy for the entity LLC "ICDD" which is in crisis condition. The strategy will be based on analysis of company's financial and economic activities.

This purpose determined a necessity of solution the following *aims*:

- to consider and disclose the idea of the concepts of “anti-crisis management” and “crisis response strategy”;
- to disclose the concept of restructuring as a method of anti-crisis management;
- to conduct an analysis of financial and economic activities of LLC “ICDD”;
- to determine possible ways to solve the existing problems of the company;
- to develop the company’s strategy of restructuring for its further implementation.

An object of the research is the entity LLC “ICDD”. *A subject* of the research is financial and economic activities of LLC “ICDD”.

The thesis is based on scientific investigations of the leading Russian and foreign scientists and specialists in the field of anti-crisis management, such as Korotkov E.M., Feinschmidt E.A., Bogdanov A.A., Ivanov G.P., Kovan S.E., Bobyleva A.Z., Evseev A., etc.

The information base for this research was financial reports of LLC “ICDD” for period from 2012 to 2016, data from Federal Service of State Statistics as well as the information from thematic publications in leading internet sources.

Structure of the thesis. The bachelor thesis consists of introduction, main part containing three chapters and conclusion.

Introduction part disclose the relevance of the chosen topic of thesis, determines purpose of the research and aims that should be solved for achieving specified purpose. It is determined research’s object, subject and information base which is the basis of all necessary calculations.

In the first chapter the theoretical questions connected to company’s management in crisis situation were revealed. It was examined the essence of anti-crisis management in general, was investigated the role of strategic approach to this type of management. Here is presented the crisis’ typology with use of various classification features. Particular attention was paid to the strategy of restructuring as a measure of anti-crisis management as well as to process of implementation of such strategy at the entity.

In the second chapter a brief information about the company LLC “ICDD” was presented. It was studied the history of its origin, organizational structure and field of work. Also, it was conducted the analysis of results of company’s financial and economic activities for the last 5 years.

In the third chapter on the basis of the studied materials a specific strategy of restructuring of the company were developed. It was suggested the relevant activities for its effective implementation.

Conclusion part contains the main results of the conducted research as well as information that sums up these results.

The practical importance of the thesis consists in a possibility of application of developed strategy of restructuring for bringing the company through the crisis.

1 THEORETICAL BACKGROUND OF ANTI-CRISIS MANAGEMENT

1.1 The concept of crisis and its types

In scientific investigations, there are lack of consensus on concept of crises in development of various systems. Throughout a long period of time the point of view that existence of crises is impossible in case of socialism and their availability is inherent only in capitalism was dominated. In this case crises represent a fatal disease of this economic system. Other scientists are sure that the concept of crisis is applicable only at the macroeconomic level (certain industries as well as all national economy). Microlevel problems (certain entities) are not a consequence of crisis of development, they are not caused by objective tendencies that does optional forecasting of possibility of crisis.

The essence of the term “crisis’ is a key idea in the concepts of anti-crisis management therefore it is necessary to understand that the content of anti-crisis management depends on the enclosed content of the idea of crisis. In modern literature scientists allocate a variety of conceptual approaches to interpretation and definition of term “crisis”.

From the etymological point of view crisis is a turning point dividing past situation from future one. In case of this approach the critical situation is considered as possible incentive to development and renewal eliminating old drawbacks and weaknesses.

Russian scientist Bogdanov A.A. interprets crisis as “violation of balance and at the same time process of transition to new balance which is a limit of the changes of system happening in case of crisis”. The author relies on dynamic balance of open system in this determination. On the one hand, system is limited by the environment, on the other hand, system participate in process of exchanging resources with the outside world. Crisis is not considered as a point, moment or situation, it is considered as a process that assumes absolutely another idea of anti-crisis management.

In addition to the above-mentioned concepts, scientists often define crisis as “an extreme aggravation of contradictions in social and economic system (organization)

that threatens its resilience in the environment". Social and economic environment on micro- and macrolevels has two tendencies of existence: functioning and development. Functioning means maintenance of activity of social and economic system insuring its integrity. And development is understood as acquisition of the new qualities that strengthen survival of this system in changing conditions of the internal and external environment.

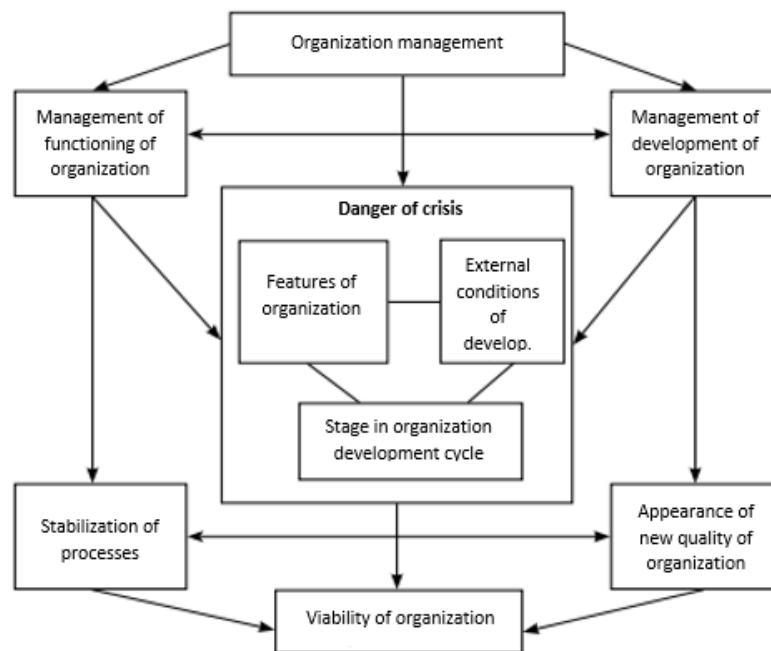


Figure 1.1 – Danger of crisis and viability of organization (Korotkov E.M. 2014)

Relation between these two tendencies has dialectic principles, consequently crises arising in social and economic systems reflects contradictions of functioning and development. Functioning constrains development and at the same time it is prerequisite and sustenance. And development, on the one hand, destroys the stability of functioning, on the other hand makes it more stable and prolonged. Thus, there is a cycle tendency of development which reflects periodic oncoming of crises.

In order to reduce impact of crisis situation and make it less painless for social and economic system, it is necessary to possess the information on classification of crises. The understanding of certain type of crisis and its nature allows to reduce its sharpness. The distinction of crises is not only in the reasons of their origin and consequences, but also in the essence of the crisis phenomena therefore there is a huge numerous of typologies. Consider some of the most important classifications.

In modern educational literature, there are two main methods of classification: formal and pragmatical.

The formal method represents multistage process which consists, firstly, in creation of a system of characteristics by a certain principle for further typification and, secondly, in determination of types on the allocated characteristics. This method is theoretical that causes its rather small productivity.

The pragmatical method of typification, on the contrary, consists in progress from practise to the theory. It allows to analyse practice, select existing types of phenomena and only then develop a real typology.

The vast majority of scientists apply the formal method of crisis' classification based on the theory. According to scientists-economists, crises can be divided into three types: cyclic crisis, structural crisis and system crisis.

1. Cyclic crisis

An origin of the theories of social and economic cycles can be referred to the beginning of the 19th century. In the opinion of the researchers, cyclicity is one of the most important factors of economic dynamics and microeconomic balance. In a process of formation of the market relations in Russia from the beginning of the 90th years of the 20th century, the country became subject to cyclic development including crisis which is one of the stages of economic cycle. In this case crisis is characterized by sharp decline in production which begins with gradual narrowing and reduction of business activity. Cycle represents time interval in development of market economy which reflects cyclic passing through the following stages:

- stable development (increase in production volume of goods and services;
- crisis (sharp reduction of production, decline in economic indicators, transformation of obsolete elements of system);
- depression (short balance of old and new systems);
- revival (accelerated distribution of elements of new system, expansion of production, improvement of economic indicators);
- rapid rise (stabilization, new steady equilibrium level, transition to the initial stage which is followed by crisis).

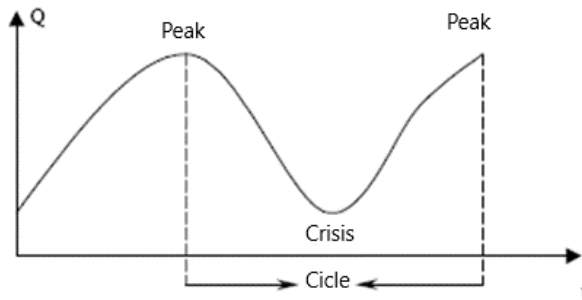


Figure 1.2 – Graphic representation of a cycle (Feinschmidt, E.A. 2012)

Cyclic crises are called periodic that entitle to confirm about their predictability owing to certain duration of cycles and their regularity of formation. However, the predictability does not come true in practice, crises are unexpected.

It should be noted that not all economists are supporters of the cyclic theories. Scientists deny existence of regularity of economic cycles, referring to the fact that periodicity of cycles is relative. There are not two identical crises that is why it is impossible to predict development or advent of crisis.

2. Structural crisis

A structure is the collocation and connection of the parts constituting something whole.

There are several types of crisis on nature and structure of the relations in scales of public system:

- Economic crises.

They reflect contradictions in national economy in general, its regions or in economic conditions of separate entity: crises of production and sales of goods, payments, financial crises.

- Social crises.

They arise in case of aggravation of contradictions or conflict of interests of various social groups. They often are continuation of economic crises.

- Political crises.

Crises in political system of society, as a rule, turning into economic and social crises.

- Organizational crises.

They manifest as a “paralysis” of organization activities including allocation of functions, power and responsibility, separation of administrative units, branches and subsidiary companies.

- Psychologic crises.

Crises of psychologic state of a person which are manifested in social and psychologic climate of society, organization or separate group.

- Technological crises.

Crisis of the old technological ideas in conditions of obviously expressed necessity in new technologies.

Scientists distinguish a numerous variety of structures in economy: industrial structure, reproductive structure, geographical structure, structure of material and cash flows, etc. Structural crisis is considered as a conflict collision between old structure of economy and requests of new technologies. It is possible to overcome the crisis by having created conditions where the old structure gives place to new industries of production, new forms of organization and regulation. The idea of structural crises is quite fruitful but in order to achieve positive results, firstly, it is necessary to determine what structure ceased to be useful and, secondly, to change this structure.

3. System crisis

A system is the structure that represents the unity of regularity of the mutually connected parts. From this perspective, system crisis assumes mutual discrepancy of the main components of social and economic system: technical, economic, social, political, organizational and legal relations and structures. The spread of this crisis can occur on all subsystems of a single system both on macro- and microlevel. Overcoming of system crisis requires an implementation of global high-quality change of all essence of the functioning system.

The pragmatic classification of crises of the entity was developed by the employees of the American institute of anti-crisis management. It includes two types: sudden crises and smoldering crises.

Sudden crisis is determined as unforeseen and sudden violation of business of the entity. Thus, absolutely unpredictable events can become the reasons of crises. Scientists divide the sudden crises on three subtypes:

- a stop of business because of direct impact of an unforeseen event: crisis of continual activity of the entity;
- a stop of business because of troubles in informational systems of the organization: crisis of continuity of informational systems;
- a stop of business because of negative impact of mass media and other interested persons: crisis of reputation, crisis of reliance, publicity crisis.

Smoldering crisis is determined as a serious problem that is hidden existing at the entity for a long period of time. Detection of the problem happens only at the time of its identification. This situation can lead both to high expenses and losses and to other treats. Development of the smoldering crisis of the entity is a long process including several stages:

- crisis of strategy (discrepancy between strategy of the entity and announced mission and purpose);
- crisis of structure (discrepancy between structure of the entity and its strategy);
- crisis of cash flows (imbalance of cash flows involving loss of stability of profitability and financial instability of the entity);
- crisis of liquidity (shortage of liquid assets for accomplishment of short-term obligations);
- insolvency (temporary inability of the entity to fulfil the financial liability);

- bankruptcy (inability of the entity to fully meet financial obligations to creditors).

Depending on reasons of origins of crisis scientists allocate two types of them: objective crisis and subjective crisis. Objective crisis is connected with the cyclic needs for modernization and restructuring of social and economic systems of various levels. Subjective crisis reflects mistakes and miscalculations in enterprise management and also circumstances of insuperable force (natural and climatic reasons).

The origin of crises both in scales of public system and organization is caused by existence of various internal and external risks. Therefore, according to this classification, it is accepted to divide crises into external (macroeconomics) and internal (organizational). It should be noted that organization is a subsystem of more difficult and large-scaled public system therefore extent of interinfluence and interdependence of these types of crisis is quite high. In a situation of macroeconomic crisis, it is obvious that the organizations are also affected by the crisis arising in complete and more general system. Despite the fact that crises for organization are secondary and cast on external changing environment in this case, the question of whether it is possible to remove the entity from a critical situation in the condition of national crisis remains open. On the other hand, submitting to cyclic regularities of development of public system, organization which has an independent potential and a rhythm of development, has own cycles and dynamics of crises' appearance. Hence, it can be argued that the organization is subject to a variety of internal crises.

1.2 Identity of anti-crisis management

There was a structural restructuring of industry in Russia that was a consequence of the termination of existence of the USSR in 1991. It was followed by opening a domestic market for foreign producers which products were the most competitive in comparison with domestic goods. Therefore, Russian social and economic life suffered cardinal changes. The country was in a deep system crisis. The organizations turned out in a difficult economic and financial situation which it was hard to cope with. Consequently, a problem of mass bankruptcy of the organizations obtained an extra relevance.

The current situation led to loss of a capability to fulfil the monetary commitments by the entities. Prevention of crisis situations and provision of steady position and development became the main objective of the organization. In this connection, all foreign methods of crisis management became quickly popular.

Thus, anti-crisis management is both an enterprise management in the conditions of already come crisis and a management directed to a timely removal of the organization from negative financial situation.

In the special literature, there are various definitions of the anti-crisis concept. For instance, Koshkin V.I. explains this concept in the book "Anti-crisis management" as "a set of forms and methods of implementation of anti-crisis procedures in relation to a concrete entity". In this case, the determination has limited principles because, on the one hand, it covers the field of management at the level of separate entity only and, on the other hand, does not consider the tasks of anti-crisis management as timely detection of crisis and its prevention. Professor E.M. Korotkov determines the anti-crisis management as "a management where forecasting of danger of crisis, the analysis of its symptoms, measures for decrease in negative consequences of crisis and use of its factors for further development is defined in a specific way". He claims that the efficiency of such management is determined by a capability of a person to timely expect and predict the development of social and economic processes both on macro- and on microlevel. Some authors speak about the importance of providing the competitive advantage with the anti-crisis management that allows the organization to be demanded on the market and to have sufficient financial providing.

Being the special type of management, anti-crisis management has its own subject that includes two components: executive and management activity. Arising problems in the social and economic systems, sharp contradictions, expected and real factors of crisis which are menacing to its existence or sharply reducing efficiency of activity are the subject of impact of anti-crisis management. Hence, any social and economic systems are considered as the object of management.

Anti-crisis management has a number of specific functions, each of which has its features:

1. Pre-crisis management.
2. Management in the crisis situation:
 - a. timely problem resolution;
 - b. stabilization of unstable situations;
 - c. minimization of losses and missed opportunities.
3. Management of recovery process from the crisis.

The structure of anti-crisis management consists of four components and each element of the structure has a certain set of requirements:

Table 1.1 – The structure of anti-crisis management (Kovan, S.E. & Mokrova, L.P., Ryahovskaya, A. N. 2009)

Element of the structure	Requirements
Management system	Flexibility and adaptability; priority of informal management; integration; search of the most effective methods of management; etc.
Set of management mechanisms	Motivation oriented to crisis situation; orientation on optimism and confidence in achievement of stability; integration on professionalism values; initiative in the problem resolution; forming of corporate solidarity.
Style of management	Professional trust; purposefulness; accurate anti-bureaucratic organization; motivation of an initiative and self-organization; choice of employees; analysis of alternatives; increased responsibility; personal example.
Specific processes and technologies of management	Mobility and dynamism of recourse usage, implementation of innovative programs; priority of program and target approaches; hypersensitivity to time factor in management processes; development and assessment of consequences of decisions and alternatives; careful choice of quality criteria of decisions.

The system of anti-crisis management represents a multi-level structural formation which purpose of implementation is increase of efficiency of management in crisis situation not only on micro but also on microlevel. Thus, it is necessary to allocate internal and external subsystems of anti-crisis management.

The external system functions at the state level and is carried out by way of: state financial and non-financial support of development of strategic industries, maintenance of solvent demand, anti-monopoly regulation of product and financial market, etc. The structure of the external system of anti-crisis management includes the following elements:

1. Regulatory and legal and procedural base of anti-crisis management.

It represents legal aspects of execution of anti-crisis procedures and their legal ground. It includes legal acts and bylaws where the main thing is the Federal law "About Insolvency (Bankruptcy)" from 26.10.2002 No. 123-FZ (edition from 29.12.2014).

2. Organizational support of process of anti-crisis management.

The specialized bodies of anti-crisis management operating at the national and regional levels: organizations of arbitration managers, territorial regulating authorities of questions of debt and ensuring insolvency proceedings of Federal Tax Service of the Russian Federation, interdepartmental balance sheet commissions, funds of support of entrepreneurship.

3. Informational support of process of anti-crisis management.

Set of printing editions and Internet sources.

4. Staff assistance of process of anti-crisis management.

The specialized educational institutions on preparation and retraining of employees in the field of anti-crisis management according to the government program.

The internal system of anti-crisis management operates at the level of entity: provides reproduction of capital fund, increases product quality, activates scientific and technical activity, maintains financial stability, etc. The elements of internal system are:

1. Controlling.

The system of measures for ensuring achievement of desired goals within strategic and tactical management.

2. Strategic and investment planning.

It includes assessment and forecasting of a possibility of entry of the entity into crisis situation as well as further development of an exit from such situation, development of detailed plan of investment strategy for implementation of anti-crisis actions.

3. Marketing.

It includes development of plans of production and regular sale of products in the condition of crisis, anti-crisis marketing.

4. Operational management.

Provision of timely and exact transfer information from top-management to employees and vice versa, forming of special anti-crisis team.

There are close interrelation and interdependence between two subsystems because development of unified corrective impacts is necessary for maintenance of sustainable development of social and economic system.

Currently, anti-crisis management of the organization includes the following number of procedures:

- assessment of the external environment and competitive advantages with the purpose of further forecasting of financial situation and the choice of the relevant strategy of development;
- preliminary analysis of origins of crisis situations in the economy and finance of the entity;
- complex assessment of financial and economic condition of the entity with the purpose of establishment of ways of its financial recovery;
- business planning of financial recovery of the entity;
- taking measures of anti-crisis management and controlling for their correct execution.

The abovementioned information is followed by the fact that the effective anti-crisis management at the entity must be corresponded by following features:

- the main goal is providing of stable finance and position on the marker in the condition of quickly changing environment and the reaction to any changes should be very fast;

- a basis of management is a process of constant innovations in all fields of actions of the entity;
- a distinctive feature is use of mechanisms whereby the entity is capable to get out of the most difficult situations with the smallest losses for it.

1.3 The place and role of strategy in anti-crisis management

Transformation of the external business environment from mobile to quick-changing contributed an appearance of new management methods with which there was a term “strategic management”. Domestic and foreign experience of companies testified to a need of strategic approach to anti-crisis management. This approach would provide effectiveness of anti-crisis management in the long term. Therefore, strategic management as a necessary component of organization’s systems management became a basis of anti-crisis management where the strategy of entity’s development plays a key role in its activity. Thus, if the company does not manage to react to conditions of quickly changed external environment, it leads to a crisis situation that can be prevented by timely identification of the reasons and development of careful strategy of further functioning of the organization. The strategy will be the direction vector of development of all system of anti-crisis management.

In general, the strategy is a direction of development of the entity oriented to a long-term prospective and covering whole aspects its internal and external activity that allows to achieve the goals of the organization. The feature of anti-crisis strategy is its clear orientation to identification and prevention of reasons of crisis, the choice of right actions to get out of crisis situation. The company’s capability to avoid a lot of critical situations and to smooth their behaviour depends on the right choice of strategy. Actually, the strategy represents a plan of actions in the specific period of time and under certain conditions that allows to avoid critical situations and to define a way of further development, growth and strengthening of market position of the organization.

The strategy in anti-crisis management includes the following elements:

1. Field of activity of the organization and the main directions of its development (studying of features of segment for effective analysis and possibility to prevent of crises);
2. Purpose of activity (studying of long-term goals for further forming of strategies);
3. Methods and forms of goals achievement (definition of methods and forms for further search and choice of alternative programs of result achievement);
4. Human resources management (studying of internal structure of personnel and level of relations between departments and divisions);
5. Organization of production process (decision making in relation to rational use of available resources of the entity);
6. External and internal business environment (analysis of macro- and micro-environment as a primary factor of strategy forming);
7. Marketing program (programs development of anti-crisis marketing).

The anti-crisis strategy covers all changes in the field of existing strategy, production processes, structure and culture of any social and economic system. Constant control of major factors of external environment as well as timely identification of needs in changes become the most important objectives of the entity in conditions of crisis management. Depending on the area where crises pose the risk to goal achievement, the relevant crisis strategy is chosen by top-management of the organization.

There are three strategies among the most popular anti-crisis strategies:

- strategy of stabilization (consolidation and rationalization);
- restructuring strategy;
- development strategy.

The strategy of consolidation and rationalization implies a reduction and more rational use of available assets and methods of their use. It is realized on the basis of the crisis diagnostics of the organization and includes actions for correction of the revealed problems in production and financial activities, management of the company, marketing and sales of products.

The restructuring strategy means a change in structure of existing assets, governing bodies, activities, processes and systems at the entity.

The development strategy consists in innovative approach for future growth, increase of profitability and liquidity of the organization. In this case, innovative approach means development and implementation not only the best products but also the best working methods. The strategy should contain an accurate determination, assessment and the choice of the offered growth strategy of the company.

It is not necessary to use all three strategies to overcome a crisis. The choice of strategy is done depending on the scales and depth of crisis situations. The larger scale of disaster scale, the deeper transformation the entity should be subjected. Thus, it can be enough at the initial stage to implement the strategy of assets stabilization. And not only stabilization but restructuring of the company can be required in more neglected cases.

1.4 Restructuring in the system of anti-crisis management

According to the commonly accepted theory, the restructuring strategy is one of the most radical methods of transformation in the process of anti-crisis management. The main objectives of the strategy in the crisis conditions comes down to liquidation of an origin of crisis that is a basis of anti-crisis management.

G.A. Alexandrov who is the author of educational and practical book “Anti-crisis management: the theory, practice, infrastructure” gives the most complete definition of this concept. He declares that restructuring is “fundamental and complex changes which are based on transformation of business structure and image of functioning of the entity. It covers practically all aspects of company’s activity. The ultimate goal is overcoming of crisis phenomena, increase in overall performance and competitiveness, growth of profitability”.

It is considered to be that the use of restructuring strategy can take place in three main situations:

1. the entity is in crisis situation which requires a financial recovery;

2. current position of the entity is acceptable, however, further forecasts do not satisfy the goals that were set by the company (in this case, restructuring is a reaction to negative changes which are still real to be prevented);
3. the successful entities aim to rise their competitiveness on the market, efficiency of the activities and investment attractiveness.

Carrying out of company's restructuring can be divided into three main directions: restructuring of organizational structure, restructuring of company's assets (or business diversification), restructuring of a capital structure (financial restructuring).

Depending on the company's strategy and its purposes it is accepted to differentiate two forms of carrying out the restructuring: operational form and strategic form.

Operational restructuring assumes a group of actions for change of company's structure for the purpose of its financial recovery (if it is subject to crisis) or improvement of solvency. Depending on problems of the specific entity, the strategy of operational restructuring can include the following actions: liquidation of unprofitable industries, price management of products-completed, increase of its quality, reduce of excessive personnel, change of management system structure, etc. Formation of more transparent and managed company answering the questions about the profitability of current business is considered as a result of conduct of abovementioned anti-crisis actions. It is interesting to note that the international practice established a term of getting results in 6 months. However, this strategy contributes to improvements only in the short-term period that creates prerequisites for long-term restructuring strategy.

Strategic restructuring consists in increase in cost of equity, preserving of corporate property and other tasks which contribute a maintenance of operating status of the entity. Within this context, the strategy of future activity for financial recovery is created on the basis of company's decisions either to leave all directions of the activity or to diversify them having changed management in part or in whole. According to the chosen strategy, the entity develops a behaviour policy on the market: new positioning, operations rollback, extensive development, etc. Growth of company competitiveness and market value of its equity becomes a result of successful conduct of the strategy.

In addition to the abovementioned restructuring forms there is a classification of forms by the scale of scope of structural changes. Both strategic and operational forms can cover either all elements of business system or separate components. There are complex and partial restructuring that are allocated by this criterion. Use of complex form takes place quite seldom by two reasons: firstly, not many companies are capable to afford a conduct of this restructuring owing to its cost intensity and, secondly, complex change of structure is a long-term process. Partial form affects one or several elements of business system that leads to local results often and can be absolutely ineffective within all system.

Transformation of company's business requires forming of the complete restructuring concept. Clear and detailed development of the strategy is necessary because the slightest miscalculations are capable to lead to a crash of whole entity. Nowadays, it is difficult to describe the ideal algorithm of development and implementation of such strategy because it is obvious that process of structural changes of business can significantly differ both from existing internal environment of the company and from influence of external factors. In this regard, there are several stages of implementation of restructuring project at the entity that are based on the principles of method of project management.

1. Determination of restructuring purposes.

At this stage the top management needs to determine the problems that the company is faced to and establish the intended effect during structural changes considering the current company strategy. At the initial stage of purposes determination, the company should clearly decide what business it will continue, what is liquidate and what is to implement. Both further development of the company and the fate of restructuring program depend on good execution of this stage.

2. Diagnostics.

The second stage is characterized by carrying out of different analyses for problems identification, company's weaknesses and strengths as well as prospective of its further development and business profitability. The diagnostics includes a conduct of following analyses: legal analysis, tax analysis, analysis of operating activities, market analysis, analysis of investment attractiveness, financial state and strategy.

It is very important to note that traditional methods of financial and economic analysis of the entity which is in crisis often distort results. Therefore, it is necessary to use a special approach that will consider specifics of anti-crisis management. The major analyses which take place at this stage are:

- analysis of the internal environment (structure, asset, marketing, production, finance, etc.);
- analysis of external environment (macro- and micro conditions);
- analysis of internal and external reasons of crisis (SWOT-analysis);
- assessment of restructuring opportunities.

3. Development of the strategy and restructuring program.

At this stage the top management determines alternative ways of company development and carries out an assessment of their efficiency relying on results of diagnostics. Hence, the restructuring program including restructuring methods, forecast indicators, possible risks and amounts of necessary resources is developed.

4. Restructuring implementation according to the developed program.

The created team of specialists works up and consistently realizes all stages of the program. At this stage total control over the implementation of chosen strategy of company development is necessary. In case of deviation from planned indicators, the group of specialists working on the project should perform a timely adjustment of the program.

5. Support of restructuring program and assessment of its results.

The final stage of process assumes the analysis of the results that were received during the program implementation. One of the major tasks of specialists is control over execution of target indicators.

2 ANALYSIS OF FINANCIAL AND ECONOMIC ACTIVITIES OF LLC “ICDD”

2.1 Brief description of the entity

The LLC “ICDD” (Institute for Content Development and Distribution) is a large international distributor of intellectual property of the “Cisco” company (USA) in Russia. “Cisco” company is the world leader in the field of information technologies (IT). Initially the “ICDD” company was created by one of its founders, Poels Torsten, in Germany for the partnership with the “Cisco” company. One of the types of Cisco’s business activities is release of educational materials on servicing of network hardware and packages of application programs that are produced for large telecommunication companies. Purchasing study guides for training, “ICDD” became one of numerous (considering scales of the American company) partners of “Cisco”. In 2007, the American company selling educational materials worldwide realized a need of creation of international distributors who would resell the guides to partners while the “Cisco” company could focus its attention on more profitable types of business activities. However, “Cisco” did not decide to work with distributors directly because the company considered it as a not so large-scale type of activity. Therefore, “Cisco” created the company named “Gilmar” in Canada which was given all authority to work with intermediary companies. Thus, the German company “ICDD” acquired the status of the international distributor in the European market. Together with it the companies with the same name appeared in US, China, Hong Kong and Russia.

A model of the business looks as follow:

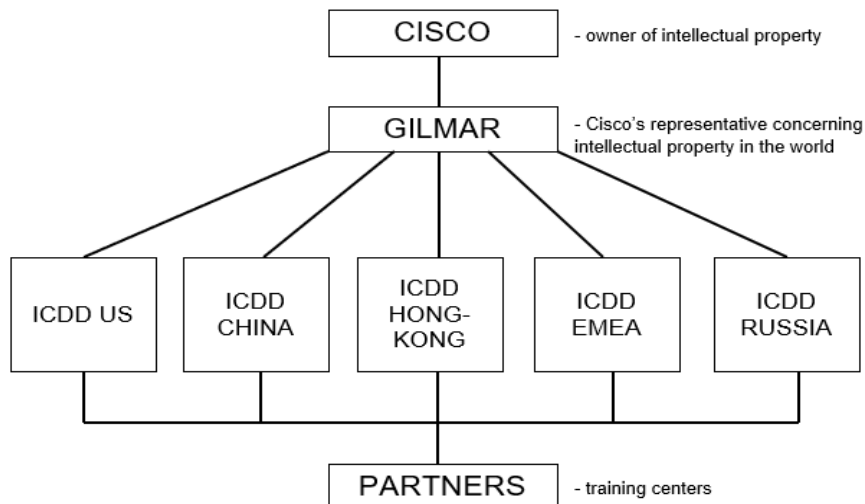


Figure 2.1 – The model of the business of “ICDD” company

The links between each element of this model is bilateral. The “Gilmar” company signs contracts with distributors of intellectual property. It implies that distributors are obliged to pay a certain amount to Canadian company for possession of the Cisco’s property. When the distribution companies receive orders from training centres, they print paper versions of materials and sell it to the final consumer whereat they receive payment for the orders.

In Russia the entity “ICDD” was registered on 7th of July, 2008. The main business activity of “ICDD” company is wholesale trade of books.

According to a legal form of organization, the company belongs to a limited liability company (LLC). The company is an economic entity that has rights of the legal entity by the legislation of the Russian Federation. It has a separate balance, a settlement account and a seal with its name. The company represents the consolidation of participant’s capitals which is not requiring their personal participation in business. They are not responsible for the obligations of the company and incur risk of losses connected with activities of the company within the cost of the made contributions to the authorized capital. The authorized capital of the company constitutes 300 000 (three hundred thousand) rubles. Company’s members are two private individuals each of which possesses the following shares of the nominal capital:

- Poels Torsten (Germany) – 70% of nominal capital;
- Oleg Feldmann (Austria) – 30% of nominal capital.

LLC “ICDD” is a small enterprise which feature of business is that the company does not require the involvement of a large number of employees. Therefore, the company’s staff consists of six people. Proceeding from it, the company has the linear organizational structure that is the simplest hierarchical structure of management. It consists of executing director and several subordinate employees: chief accountant, customer service manager, logistics manager and two specialists in execution of orders.

Being a unique distributor of Cisco’s intellectual property in Russia, the entity successfully functioned in the Russian market since 2008. Business of the company became marginal because the markup constituted 30% in the best times. In the first years of business activity, expenses of the company included not only operating costs and royalties to “Gilmar” company for the right to use the intellectual property but also expenses on typographic printing of study materials. After a while, there was a gradual refusal of hard copies. Hence, the costs of printing were decreased that considerably simplified business. This business model has been existed until the “Cisco” company transferred whole work with clients into electronic form in autumn 2016. It was followed by complete refusal of paper books. Consequently, when the need of shipping physical books disappeared, “Cisco” company announced a necessity of liquidation of all distribution companies. This announcement was on 25th of October, 2016 and it finished the fate of the “ICDD” companies around the world.

As a result of above-mentioned actions from the head company, there was an unforeseen stop of business at the entity “ICDD”. The company appeared in a condition of the sudden objective crisis requiring its immediate resolution.

2.2 An analysis of results of company’s business activities

Consider the key indicators of LLC “ICDD”. A documentation of LLC “ICDD”, namely balance sheets (form No. 1) and profit and loss statement (form No. 2) for the period from 2012 to 2016, was the main source of information for conducting of an economic analysis of business activity. A data of analysis is provided in summary tables in Appendix A.

In order to analyse a reflection of the crisis which arose at the entity, let us illustrate changes of key indicators of financial results of company's activity for the last five years. A revenue development from product sales and net profit is demonstrated in the figure 2.2.

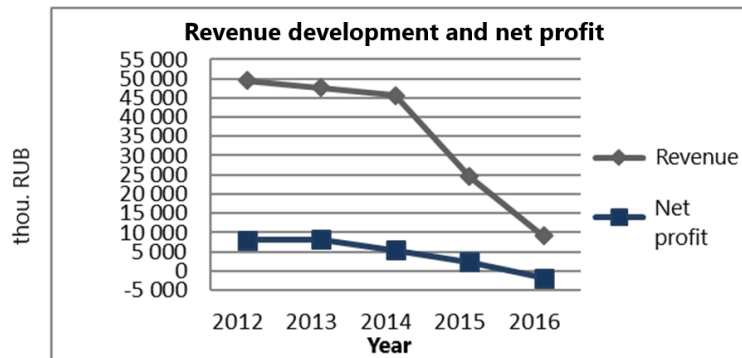


Figure 2.2 – Revenue development and net profit

In the competitive market environment, the level and a revenue development and a net profit at the entities of any industries and legal forms of organization are the generalizing indicators of efficiency of the financial results of business activities. The revenue of the entity characterizes an amount of company's profit for considered period. It is the main financial resource of the entity which use is necessary for implementation of economic activity as well as for obligation fulfilment before the state, other entities and employees of the organization. Figure 2.2 illustrates that a sharp fall of revenue is traced since 2014 which is followed by decrease of the indicator of the net profit. The value of revenue in 2015 amounted to 24562793,6 rubles that is 46,2% lower than in previous period. And the indicator values of net profit dropped by 56,5% and constituted 2363000 rubles. The sharp leap of considered indicators in 2014-2015 was a consequence of devaluation of the Russian ruble in relation to foreign currencies as well as a result of imposition of economic sanctions by the European Union concerning Russia because of events in Ukraine. Thereby, taking into consideration the situation in Russia and also geographical accessory of company's supplier of goods, the considerable influence of currency crisis in the country on the economic activity is traced. It causes an obvious recession of the indicators of the revenue and the net profit. Due to the adverse economic situation in the country, indicator values' level continued to decrease with a new force in 2016. It happened in connection with the announcement of the head company about cessation of cooperation with distributor centres. By the end of 2016 the sales proceed of

products decreased more than twice and constituted 9076300,45 rubles. An index of the net profit took a negative value that means excess of expenses of the company over income for the considered period. Thus, the net losses of the entity were -1865786 rubles. Consider changes of financial and economic indicators of this year in more detail.

According to the table B.1 (see the Appendix B), there is a negative dynamic that is traced in change of financial indicators of the business activity. The net profit reduced by 179% in comparison with 2015 that constituted 4228786,09 rubles. Due to the fall of sales volume, the indicator of sales' cost considerably decreased (by 74,2%). It was caused by downturn in purchasing amount of education materials by the distributor company. The management expenses rose by 17,4%.

Having analysed a cost structure of the entity in 2016, it is possible to draw an inference that at the company being in crisis the maximum relative share is occupied by management expenses (53,5%). This data is illustrated in the figure 2.3. Management expenses is understood as costs for management of an entity which are not connected with production process or commercial activities. To these costs it is attributed administrative expenses, support of a managerial personnel, lease of office premises, expenses on auditor and consulting services, etc. Other items of estimation are divided as following: cost of sales – 31,4%, other expenses – 10,0%, other (including the single tax) – 5,1%.

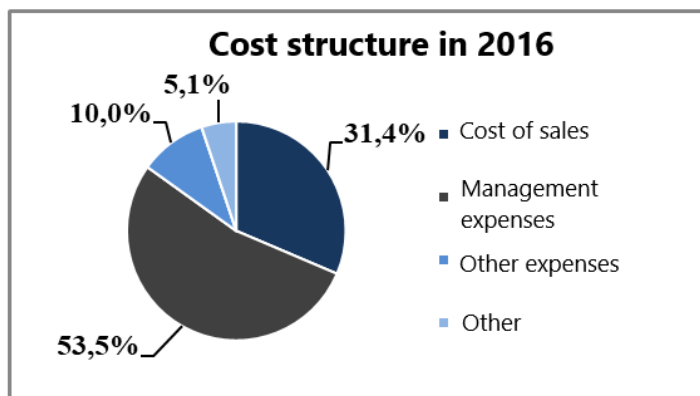


Figure 2.3 – Cost structure of LLC “ICDD”, 2016

Considering that LLC “ICDD” is small enterprise, it has rights to apply the simplified tax system that allows to be exempted from payment of a number of taxes, such as income tax, tax on property, VAT (value-added tax), consolidated social tax. The

entity pays the single tax in amount of 6% from profit of the organization instead of above-mentioned taxes.

The key indicators of profitability for the last three years were calculated for more exact assessment of results of financial and economic activities of the entity. The results of calculations are displayed in the table 2.3.

Table 2.3 – The key indicators of profit margin of LLC “ICDD”

Net profitability	2014	2015	2016
Return on sales, %	11,9	9,6	-20,6
Return on equity, %	102,5	94,4	-83,3
Return on assets, %	67,6	41,0	-45,0

Indicators of profitability of an entity characterize an efficiency of use of assets and sources of their forming being one of the criteria of quality of management. Apparently from the table 2.3, the indicators of profitability decrease by 2016. Let us consider changes on each indicator in more detail.

ROS – Return on sales – is one of the main indicators for assessment of financial activities of an entity having rather small size of an equity and capital goods. It characterizes the most important aspect of business activity as sales of products. Analysis of changes of this indicator values allows to determine a profit share from revenue of an organization, namely the amount of profit that is got by a company from each ruble of sold products. ROS in dynamics for the period from 2014 to 2016 has a downward tendency that can be explained by an influence of the following factors:

Table 2.4 – Comparison of growth (decrease) rates of revenue and expenses

	2014		2015		2016	
	Growth (Decrease) rate, %	Variation, %	Growth (Decrease) rate, %	Variation, %	Growth (Decrease) rate, %	Variation, %
Revenue	95,8	- 4,2	53,8	- 46,2	37	- 63
Expenses	117,2	+ 17,2	49,8	- 50,2	48,2	- 51,8

According to the table 2.4 it is visible that in 2014 growth of costs occurs along with reduction of revenue, and 2015th year is characterized by excess of decrease rate of costs over the revenue. Both ratios are adverse tendency for the entity. It can be caused by the following factors: reduction of prices on the products, change of an assortment structure of sales or increase in costs rates at release of a unit of production. In 2016 the decrease rate of revenue is higher than decrease rate of costs that is explained by the sharp reduction of sales volume. This situation confirms reducing activities of the entity in the market. The negative indicator of profitability in 2016 speaks about unprofitable activity of the company for the considered period.

ROE - Return on equity – allows to estimate an effective use of the capital invested by direct owners of the entity. Creating an equity of the organization, her owners acquire a right to a relevant share of profit. Thus, profitability characterizes profit which is got by owner from 1 ruble of investments made in the entity. According to the data for 2014, profitability of the equity of “ICDD” contributes 102,5% that says about successful work and development of the entity. However, general dynamics of this indicator is negative. There is a sharp deterioration of the indicator in 2016 that accept a value equal -83,3%. In this situation decrease of asset turnover has an impact on reduction of profit ratio. Asset turnover demonstrates a fulfilment of full cycle of products circulation.

Table 2.6 – Total asset turnover

	2014	2015	2016
Asset turnover, times	5,69	4,26	2,19

In contrast to ROE, return on assets (ROA) characterizes a return of all financial resources of the organization irrespective of sources of their financing and demonstrates an ability of the organization to generate profit without a capital structure. It determines a percentage of profit at a volume of all assets of the entity. Since 2014, this indicator decreased by 112,6% that illustrates a reduction of efficiency of use of property of the entity. It can be explained both as an advent of net loss and a reduction of asset turnover ratio.

Conduct an analysis of business activity's dynamics of the LLC "ICDD" for the last three years. Indicators of business activity characterize an efficiency of use of resources of the organization. Moreover, they are important indicators for assessment of financial and economic activities of the entity because a financial status and solvency of the organization depend on the speed of transformation of invested capital into real money.

Table 2.7 – Ratios of business activity

Activity ratio	2014	2015	2016
Asset turnover, times	5,69	4,26	2,19
Equity turnover, times	8,61	9,81	4,05
Receivables turnover, times	6,51	4,80	2,66
Payables turnover, times	16,73	7,54	4,77

Asset turnover can be considered as high because the value of the ratio more than 1. However, the negative dynamics of this indicator demonstrates deterioration of financial status of the entity because each ruble of the asset of the organization brings less profit. Decrease of asset turnover indicates fall of sales volume at the company.

Equity turnover presents the speed with which money of the company passes a complete cycle and turned into to money again. There is an increase of this ratio in 2015. It is a positive change and results about a rise of speed of equity turnover. However, 2016 is followed by a sharp downturn of the indicator that confirms about deterioration of business activity of the entity. Because positive tendency means pursuance of the indicator to maximum. It is connected with insufficiency of sales volume.

Receivables turnover also has a negative dynamic for the period from 2014 to 2016. It is not optimum for the entity. Optimum ratios lie in an interval from 12 to 18 turnovers that exceeds the real values of entity's turnover of debts threefold.

In the figure 2.4 the comparative analysis of turnover ratios of LLC "ICDD" in dynamics from 2014 to 2016 is provided.

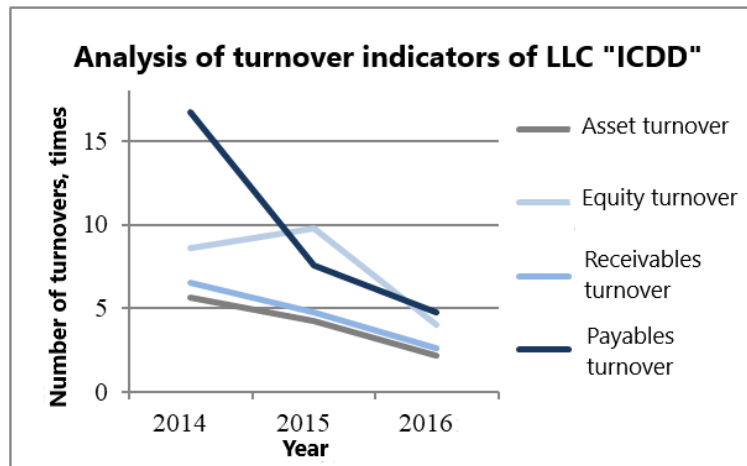


Figure 2.4 – Analysis of turnover indicators of LLC “ICDD”

In 2014 and 2016 the maximum intensity of turnover is traced at the ratio of payables turnover that can declare about timely settlement of liabilities of the entity to creditors. However, the downward tendency of this ratio is not a subject of financial stability of the organization. The indicator of payable turnover needs to be estimated with receivables turnover. From the figure 2.4 it is visible that the value of the first ratio considerably exceeds the indicators of receivable turnover for the period from 2014 to 2016 that is not a favourable situation for the entity. From all aforesaid, it is possible to draw an inference that the entity experiences financial difficulties throughout all analysed period.

2.3 An analysis of probability of bankruptcy of the entity

Liquidity ratios explains an ease of implementation, sale, transformation of material and other values into a cash equivalent for a covering of the current financial liabilities. The calculations of the main liquidity ratios are provided in the table 2.8.

Table 2.8 – Liquidity indicators of LLC “ICDD”

Liquidity	2014	2015	2016
Current liquidity ratio	1,32	2,67	1,48
Cash ratio	0,08	0,17	0,28
Net working capital	1 527	2 882	1 000

According to the table 2.8 an essential increase of current liquidity ratio of the entity is traced in 2015, it informs about an existence of bigger quantity of current assets in comparison with short-term obligations at the entity. Consequently, the company possesses a high ability to pay off the debt in the short-term period and by that becomes more compelling to creditors. Despite this, the value of current liquidity ratio does not get into optimum interval of indicator values (from 1,5 to 2,5). It can testify to irrational capital structure as well as insufficiently active use of current assets. In 2016 the value of the indicator is insignificant below optimum value and is equal to 1,48.

Cash ratio reflects a share of settlement of short-term debt of the entity at the expense of money and its equivalents (valuable securities, deposits). The standard value of this indicator is ranging from 0,2 to 0,5. According to the table 2.8, the indicator's value increased in 2016 in comparison with the last accounting periods where was an insignificant rise also. Current level of cash ratio gets into the interval of optimum values.

One of the characteristics of a stable position of the entity is its financial stability. Calculated ratios of financial stability of the "ICDD" company (in the table 2.9) characterizes independence both on elements of the entity's assets and on property. It gives a chance to measure whether the company is financially steady.

Table 2.9 – Key indicators of financial stability

Financial stability	2014	2015	2016
Equity to Total Assets ratio	0,28	0,65	0,38
Debt to Equity ratio	0,72	0,35	0,62
Ratio of Own Working Capital	0,24	0,63	0,32

Equity to Total Assets ratio characterizes independence of the company of loan capital and demonstrates a share of internal fund in a total cost of all assets of the enterprise. The standard value of the indicator is considered to be more than 0,5 but no higher than 0,7. At the "ICDD" company the indicator decreased to 0,38 in comparison with the previous accounting periods. It indicates to a fall of financial stability of the company.

The value of the entity's Debt to Equity ratio should be in diapason from 0 to 1. Analysis of financial stability of the company confirms the observance of this condition, however, acceptable value should not exceed 0,5. Debt to Equity ratio contributes 0,62 in 2016, it is closer to the upper extreme value. Approximation of the ratio to 1 speaks about decline of financial stability.

The risk of loss of the company's financial stability is also confirmed by calculation of the ratio of Own Working Capital. In 2016, the negative tendency of the indicator demonstrates the reduction of working capital which is necessary for maintenance of company's stability.

As completion of the analysis of the financial stability of the company and its solvency, let us asses a probability of bankruptcy of the LLC "ICDD". The analysis was carried out on five-factorial model of Altman (Krylov, S.I. 2016) because this formula is applicable for private companies:

(2.1)

$$Z = 0,717 * X1 + 0,847 * X2 + 3,107 * X3 + 0,420 * X4 + \\ + 0,998 * X5$$

Calculating necessary ratios for 2016.

Table 2.10 – Calculation of the forecasting model of E. Altman

Ratio	Formula of calculation	Value
X1	$\frac{\text{Working Capital}}{\text{Total Assets}}$	0,91
X2	$\frac{\text{Retained Earning}}{\text{Total Assets}}$	0,30
X3	$\frac{\text{Earnings before Tax}}{\text{Total Assets}}$	-0,38

Continuation of the table 2.10

X4	$\frac{\text{Equity Capital}}{\text{Liabilities}}$	0,38
X5	$\frac{\text{Revenue}}{\text{Total Assets}}$	2,68

Thus, turning out:

$$Z = 0,717 * 0,91 + 0,847 * 0,30 + 3,107 * (-0,38) + \\ + 0,420 * 0,38 + 0,998 * 2,68 = 2,561$$

The value of the Altman's index $Z=2,561$ falls into an interval of a zone of uncertainty from 1,23 to 2,9 that demonstrates the average level of probability of bankruptcy of the "ICDD" company.

It should be noted that Altman's model was developed in the USA and calculations of its constants was carried out taking into consideration financial conditions of other country. Therefore, in order to get bigger reliability of the forecast we will analyse the entity using a model of Russian economists – R.S. Saifullin and G.G. Kadykov. They calculated a complex indicator of prediction of financial crisis of the companies. The Saifullin-Kadykov's model looks as follow (Minaev, E.S. & Panagushin, V.P. 1998):

(2.2)

$R = 2 * K1 + 0,1 * K2 + 0,08 * K3 + 0,45 * K4 + K5$, where:

K1 – Ratio of Own Working Capital;

K2 – Current liquidity ratio;

K3 – Asset turnover ratio;

K4 – Return of sales;

K5 – Return of equity.

Having counted constants, it turns out:

$$R = 2 * 0,32 + 0,1 * 1,48 + 0,08 * 2,19 + \\ + 0,45 * (-0,21) + (-0,83) = 0.05$$

Thus, it is possible to draw a conclusion that financial condition of the company is not satisfactory at the end of 2016 because the value of the index $R = 0,05$ is less than optimum value $R = 1$. It demonstrates high probability of bankruptcy of the entity.

On the assumption of conducted analysis of the key indicators of financial and economic activities of the "ICDD" company, it is possible to draw an inference that sales of the entity fell sharply by the end of 2016 in comparison with the previous accounting periods. It led the company to an unprofitable state that is visually reflected in the analysis of revenue development and net profit. Considerable decrease in indicators of profitability and business activity of the entity testifies about reduction of effectiveness of financial and economic activity of the company. High level of insolvency and weak financial stability speak about rather high probability of bankruptcy. On the basis of abovementioned inferences, it is possible to confirm that the company is in a crisis situation at the moment. The top-management of the company should attend to development and implementation of a plan for increase of economic effectiveness of the company in order not to concede bankruptcy.

The results of financial and economic analysis of the entity are mainly caused by sharp reduction of sales volume owing to refusal of the supplier company of services provided by distribution company. The top-management of the organization has the right to set a future direction for the company in a situation of termination of the core business. It assumes a development of a competent plan for carrying out anti-crisis measures. A solution of the developed crisis situation at "ICDD" company assumes the choice between two strategic alternatives. The first one is a termination of existence of the entity, its liquidation, the second one is financial recovery of the organization. In the first case, the voluntary liquidation means a confession of inability to pay off on the current accounts payable by the management of the company. Consequently, it will be a complete refusal and termination of business of legal entity. In the case of financial recovery, complete or partial conversion or restructuring of business will be the right solution. Nowadays, the second option is more preferable

for the management therefore the major task at this stage is determination of a niche for the subsequent transformation of business. The main requirement that was set by the director of "ICDD" assumes search of the niche that would not change the existing business model of the company. A desirable migration of the business shall suppose work with licenses (sale of intellectual property) in the field of information technologies. Therefore, preferential attention of management was paid to the model of distribution of the software to the Russian market. In this regard, further researches of the thesis will be conducted based on the process of business transformation of LLC "ICDD" to the field of sales of the software with the subsequent development of a restructuring strategy.

3 DEVELOPMENT OF RESTRUCTURING STRATEGY AND ITS IMPLEMENTATION

3.1 Market research of software distribution in Russia

Nowadays, world IT expenses constituted approximately 3,49 trillion dollars that is 0,5% lower than in the previous year. The volume of a segment of services grew by 2,1% and reached approximately 929 billion dollars. The largest increased occurred in the sector of corporate software, sales rose by 4,1%. IDC predicts an annual average growth rate of this sector within 6% during the period till 2018.

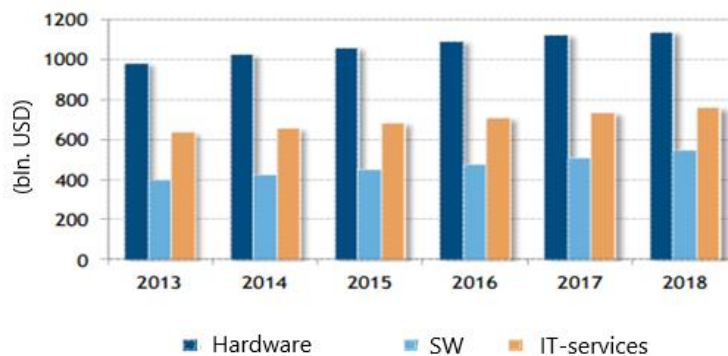


Figure 3.1 – World IT expenses, bln. USD (Agapov, V. & Yakovlev, S., Pratushevich V. 2015)

In today's world many entities show interest in use of different function software therefore this sector of structure of IT-market is a basis for development and raising of all industry. Over a half of total volume of the segment create various categories of applications, the rest is the system software and development tools. The category of applications for organization of joint operation develops quicker. In particular, the volume of decisions for intra-corporate networks and joint access to files increases more than by 20% annually. The category of decisions for database management and big data analytics develops also dynamically, annual growth constitutes more than 8%. Permanently high demand remains on decisions for resource management of the entity and customer relationship as well as decisions for data security.

Taking into consideration the fact that the IT-market of software represents a dynamic segment of IT-market, let us pay attention to cumulative development data of Russian information industry for the last 5 years.

According to IDC data, the volume of Russian IT-market was 34,49 billion dollars (1138,17 billion rubles) in 2013, that is higher by 0,8% in comparison with the previous year. However, there was a reduction of domestic market volume by 40,0% in USD owing to geopolitical situation in 2014. It constitutes approximately 5,0% in Russian rubles in 2015. Despite all occurrences, demand for IT-products and services remains almost invariable and changes only the structure towards services, which cost of sales is ruble as distinct from import licenses and hardware.

According to preliminary data "RUSSOFT" of 2016, it is traced an insignificant decrease in total amount of the market, however, revenue of software companies grew by 13,0% considering the inflation. Thus, the market of software companies increased as a result of natural import substitution which was caused by raise in prices for import products as well as risks of refusal of software support by foreign companies owing to adoption of anti-Russian sanctions.

The volume and structure of software market. Currently, Russian IT-market is created due to the market of infocommunication technologies which includes computer and network hardware, software and IT-services.

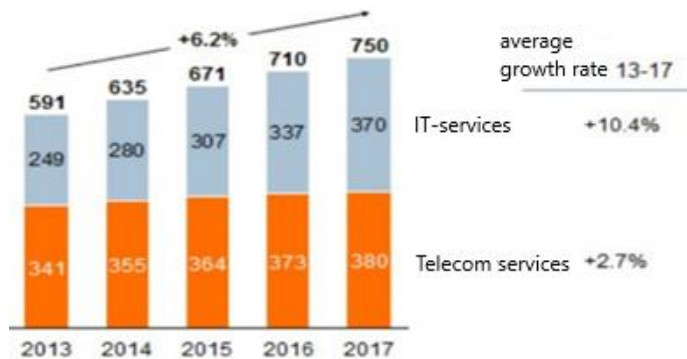


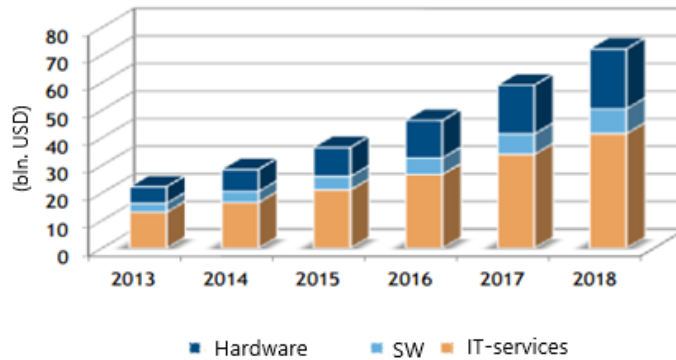
Figure 3.2 – Russian market of telecommunication and IT-services in the segment of B2B, bln. RUB

According to the analytical research of Orange Business Services, the amount of Russian market of ICT-services in the segment of B2B made approximately 10,31 billion dollars (704,11 billion rubles) in 2014, that is 7,4% higher than in 2013.

According to figure 3.2, the market demonstrates growth by 6% in average, that reaches 12,17 billion dollars (750 billion rubles) in 2017. By the end of 2017 the expected size of market of IT-services in Russia will constitute 6,01 billion dollars

(370 billion rubles), and the market of telecommunication services in the field of B2B will reach 6,11 billion dollars (380 billion rubles).

Thus, the analytical conclusion of Orange Business Services concerning growth rates speaks that the volume of IT-market made about 11,6 billion dollars (715 billion rubles) in 2016.



IDC, Worldwide Big Data Technology and Services 2014-2018 Forecast, 2014

Figure 3.3 – Expenses by sectors of the IT-market (Agapov, V. & Yakovlev, S., Pratushevich V. 2015)

Considering that the share of software in the total amount of IT constitutes 12,0%, we receive that the software market size is about 1,39 billion dollars (85,6 billion rubles). For comparison: software market size yields slightly to the size of hardware market slightly in the countries with the most developed IT-market. Most of all software is bought in the USA, its share is 63,0% of world sales volume of software.

The main tendencies and development of software market. The Russian software market is subject to influence of both fluctuation of world economy and other tendencies that concern changes in state policy, vendors rules and customer requests. For instance, Russia's accession to the World Trade Organization in 2012 forced most organizations to legalize the used software in order to get a possibility to compete with the foreign companies. Every year public sector makes more and more purchases of software. Currently, government is the largest customer of large-scale IT-projects.

Changes in the field of computer technologies affect the field of software, consequently, companies need to be most informed in any transformations of market in order to provide high-quality satisfaction of customer requests. For instance, nowadays one of the main trends of IT-industry is transition to cloud technologies which

assumes to bring cardinal changes in whole market that will affect both producers and distributors of product. It is expected that implementation of cloud technologies as well as growth of projects connected with big data will force the companies to make further investments in data storage software. Lately, there is a stable growth of interests to hardware-software solutions where software is closely connected to hardware. Therefore, producers often offer such complex as a standard proposal for further distribution.

One more example of influence of external tendencies is growth of sales of certain software categories which is connected with requests of the final consumer. For instance, growth of software market reached the maximum historical value in 4,99 billion dollars (164,7 billion rubles) in 2013. More than half of this amount was the share of various applications, about 30,0% to infrastructure software, slightly less 20,0% to software for applications programming.

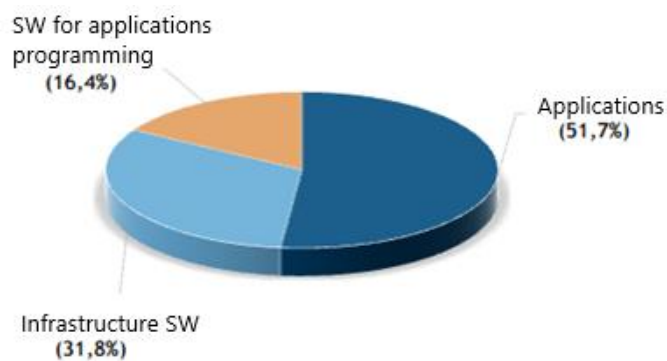


Figure 3.4 – Expenses on categories of software in Russia in 2013 (Agapov, V. & Yakovlev, S., Pratushevich V. 2015)

Resource management systems of the entity (31,4 billion rubles), systems of business analytics (12,83 billion rubles) and applications on management on production operations (8,25 billion rubles) became the most demanded among all applications. The companies occupied in retail trade, production, energetics, transport and business services were the most active consumers. Moreover, costs of public sector exceeded 50% on this software in comparison with the last year.

Significant effect was had by demand for safety products of IT-infrastructure, it was about 56,6% of all market of data security software.

Open-source software attracts the government more as an opportunity to avoid dependence on foreign suppliers. Possibly, the growth of interest in this software will be traced in fields having a strategic importance for government.

Many software suppliers have solutions adapted to the small and medium enterprises because their interest is directed to involvement of such clients.

In the conditions of geopolitical contradictions, the state adopted the law on products' import substitution in IT sphere with domestic technologies that became the answer to the USA and European Union sanctions against Russia. It sharply increased risks of application of foreign software in business and state organizations. Development of own IT products for defence-industrial sector, state structures and strategically valuable entities is recognized as the major area of work on ensuring internal security of Russia. Currently, the Government of the Russian Federation and the Ministry of Telecom and Mass Communication developed a list of measures for import substitution in the IT sphere.

According to forecasts of the Ministry of Economic Development of the Russian Federation, the software market in the country will reach 9,45 billion dollars (582,5 billion rubles) by 2020 in case of favourable conjunction of circumstances and by 2030 it will exceed 32,46 billion dollars (2 trillion rubles). For comparison: the amount of the market made about 2,14 billion dollars in 2011. It is expected that the total amount of Russian IT-market will reach an impressive indicator in 90,89 billion dollars (5,6 trillion rubles) in 15 years.

The largest players of Russian IT-industry. Russian IT-market is among the 15 largest markets in the world. There are a great number of international and domestic suppliers of hardware and software operating both directly and through partners. Moreover, most of international suppliers have their own networks of distribution on sales and servicing and have qualified specialists of their products.

A small list of the international supplying companies who are in the Russian IT-market is presented below:

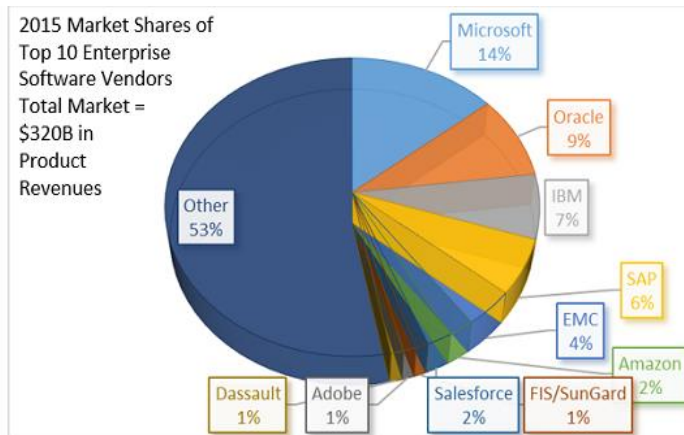


Figure 3.5 – Top-10 of the largest software vendors in the market (Agapov, V. & Yakovlev, S., Pratushevich V. 2015)

Those Russian companies which made great progress in creation of application programs on the basis of image recognition technology, applications for management of organization, workflow and business analytics systems and operations software are among the domestic companies. The greatest international success the Russian companies achieved in the field of information security. Now, a considerable part of Russian IT-market is constituted by the companies providing services on software development to order. The most successful of them are among the largest suppliers of these services in Europe:

- 1C;
- Galaktika;
- Kaspersky Lab;
- Prognoz;
- Yandex;
- ABBYY, etc.

The prospects of software industry development. Russia possesses rather strong potential in the field of information technologies, the country does not yield to many countries of the world on growth rates and development of this industry. Orientation to export of software and development of domestic production are priority tasks both in national economy and in the IT-industry. Solving of these problems will allow to secure a foothold in the global IT-market and to become the strong competitor having occupied the niche.

The state support of the industry plays the important role which promote a formation of Russian IT sphere as a dynamic driving force of economy. Use of cloud services implies cardinal changes in software consumption by customers, transition from purchase of licenses to subscription to applications are possible. However, the entities hardly refuse corporate solutions and use of cloud services considerably lags behind at the moment. Therefore, the option of work with hybrid cloud is possible, it implies use of cloud program only by certain divisions. However, it is possible that small and medium enterprises will prefer cloud service to corporate solutions because it will allow to minimize expenses on IT.

Software companies will try to individualize relationships with their clients that can change a role of distributor companies and Russian partners considerably. One of the possible business models for them will be consulting service accomplishment, another one is selling of additional services connected with solutions purchased by customers.

Export of software. Russian developers began to enter the foreign markets in 2007 and amount of export supplies of software constituted 2 billion dollars (122,2 billion rubles). Russian companies could secure a foothold among the leading global producers of licensed software in a number of sectors (CBOSS, Kaspersky Labs, AB-BYY, SPIRIT DSP, PROMT, SW Soft).

Export of software and services in its development grew by 11,0% and reached 6 billion dollars (366,6 billion rubles) in 2014 in comparison with previous year. Export yields to the Russian companies approximately the same revenue as well as domestic sales – 6 billion dollars. The share of Russian software export and services on its development continues to increase in general export income of Russian entities and organizations. By the end of 2014 this indicator was 1,2% (in 2013 - 1,0%, in 2012 – 0,88%, and in 2011 – 0,8%). Growth of the share is provided not only by increase of software export but also by reducing of export income of Russia for 5,0% last year. The software industry is rather significant for the national economy now from the point of view of the share in Russian export.

Contrary to crisis, export of software and IT-services from Russia steadily gains steam. Its amount grew from 2,8 billion dollars (171,08 billion rubles) in 2009 to 6 billion dollars (366,6 billion rubles) in 2014 and by the end of 2015 it increased by

16,0% and reached 7 billion dollars (427,7 billion rubles). It was declared on a roundtable discussion “Influence of changes in geopolitics and world economy on line items of Russian companies of software developers in a global IT-market” organized by the RBC company and “RUSSOFT”.

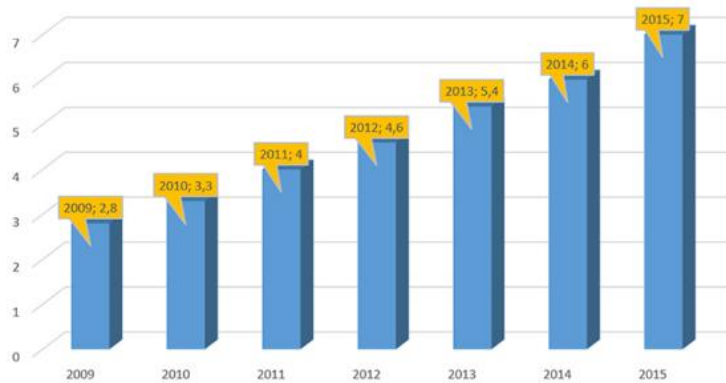


Figure 3.6 – Export of software and IT-services from Russia, bln. USD (Agapov, V. & Yakovlev, S., Pratushevich V. 2015)

System of IT-distribution. Frequently, the classic three-level business model is used in the current system of IT-distribution, it represents a chain: Vendor > Distributor > Reseller > Final Consumer. Vendor is a company producing and delivering products and services under own trademark. For example, one of the most well-known domestic vendors is 1C company. Distribution and usage of software is determined by availability of license to use certain software that allows customer to use a certain number of product copies and guarantees a security from legal proceedings in case of observance of all rules established by vendors. Distributors are engaged in software distribution most often, they purchase a software from vendors and sell it to resellers in the regional markets. If foreign vendors do not have own representations in Russia then an important task of distributor is import of products to the country. Frequently, distributors do not have contacts with the final consumer and their main task is the ability to interest resellers in a cooperation. Sales representatives – resellers sell products to final buyers, they buy products from Russian distributors and do not have direct contacts with software producers.

In today's world it is not only about sale of software but also about provision of additional services that creates an additional cost. As an example, distributor companies often propose services in adaptation of software solutions under the needs of client and its implementation.

Few years ago, some companies combined a role of the distributor and reseller, however, accurate segmentation between these levels of distribution is traced now. And dialog with the final consumer can be carried out both directly with vendor and through distributors and resellers.

Russian distribution channel. Since the economic crisis in 2011 which affected market of software distribution, it is possible to trace several factors influencing distributors companies in Russia:

- gradual reduction of number of companies that are capable to work in this field owing to competition (exit from the market of weaker players);
- difficulties in the retail channel: many customers suffered from reduction of the market in 2013-2014;
- risks in the market of IT-distribution promoted a slowdown of business activity of companies in order to avoid losses;
- strengthening of competition, by means of entry into the market wide-profile distributors, promoted decrease of marginality which all business of companies depends on.

Nowadays, there is a reorganization of the sales channel which will affect whole channel of software distribution in the nearest future. There is a large class of companies that specialize in sale of products in clouds because big share of sales of packaged software replaced with licenses and subscriptions. Despite this fact, traditional software distributors work successfully because their main function is products adaptation under the customer's specific needs, setup and implementation of complex software.

The analysis of key players of the software distribution market. In order to explore the strongest competitors in the Russian market of software distribution, I addressed to analytical project of CRN company of 2015. The essence of this project was in creation of rating of the best software distributors in the market by the following criteria:

1. Prices.
2. Profit makings programs.
3. Assortment width.

4. Availability of a product in stock.
5. Availability of B2B system (possibility of placement online orders, tracking of passing freights, etc.).
6. Availability of well-defined standards (formalized rules, procedures) in work with partners.
7. Flexibility, individual approach to partners.
8. Capability to solve problems.
9. Management of relationships with vendor.
10. Financial support (credits, leasing, factoring, etc.).
11. Consultations, help in project development.
12. Marketing support.

The applicants list on a rank “The best IT-distributor – 2015” included 21 companies specializing in sale and implementation of software. As a result, only 7 distributors were included in the applicants list: "1C", ASBIS, Axoft, Merlion, MONT, OCS Distribution and Treolan. However, ASBIS and Merlion companies were not a part of award-winning numbers. The MONT distributor company became the winner by all criteria. More detailed information about the largest competitors is provided in the comparative table (see the Application B).

Having analysed the main competitors in the Russian market of distribution, it is possible to draw an inference on key competitive advantages of each company:

Table 3.1 – Comparison of competitive advantages of market players

Competitor	Competitive advantage
«1C»	–industrial approach to everything; –work through a wide partner network;
Treolan	–stability and convenience of work to most participants of the market;
OCS Distribution	–wide geographical allocation of offices; –adaptability to different types of partners; –modern B2B system (works 24/7); –active marketing support; –corporate culture;
Axoft	–wide product portfolio; –developed logistics and partner services;

Continuation of the table 3.1

Merlion	<ul style="list-style-type: none"> –scale of business; –financial stability of the company; –assortment width; –developed system of logistics and partner services;
MONT	<ul style="list-style-type: none"> –unique product portfolio; –wide geographical covering;
ASBIS	<ul style="list-style-type: none"> –high level of competences; –effective logistics; –complete Microsoft product assortment; –marketing support of sales channels and certain clients; –support of certified specialists in products and licensing;

Overview of key consumers. The main categories of consumers and products required in each segment are given in the table 3.2.

Table 3.2 – Key market consumers

Category of consumers	Requested products
Home users	–security systems;
Transport sector	<ul style="list-style-type: none"> –solutions in the field of resource management of the entity and relationships with clients; –business analytics; –development of Internet services;
Telecommunication	<ul style="list-style-type: none"> –data security software; –systems of business analytics; –application solutions;
Energetics	–business analytics solutions directed to forming of a payment system, redistribution of loadings and creation of “intellectual networks”;
Retail trade	<ul style="list-style-type: none"> –analytical solutions; –cloud computing;
Online trade	<ul style="list-style-type: none"> –applications for implementation of scattered functions of choice and delivery of products by one click; –solutions on optimization of work with suppliers; –complex IT solutions providing effective planning of routes, remote monitoring of vehicles and minimization of the losses connected with logistics;
Financial organizations	<ul style="list-style-type: none"> –solutions on automation of business processes, protection of commercial secret and personal data; –solutions directed to increase in loyalty of clients;
Producing sector	<ul style="list-style-type: none"> –business analytics solutions; –software of application systems of the entity; –data security;

Continuation of the table 3.2

Defensive industry	–resource management systems; –solutions on product lifecycle management; –solutions on operational production management;
Automotive industry	
State organizations	–system integrations; –network integration;
Education and health care	–solutions on combination of servers and information storages, accounting systems in consolidated information area;

The analysis of value of distribution companies for the sales channel. Distribution companies play one of the key roles in any segment of the market. Signing contracts with producers, competent distributors not only comply with conditions of cooperation but also build their work in a certain way in order to trace a development both the company and partners.

Consultations, service and system solutions:

- Distribution company comes to the rescue in case of shortage of information on a product at the integrator company. Distribution company is capable to consult clients and organize support either independently or having direct and relevant contact with the producer. Thus, the company has the right to provide the most high-quality and various consultations for the partners. (This situation can be solved directly with the vendor but companies experience illustrates that it is more convenient to work through distributors.)
- Distributors has the right to provide services as an additional service that makes a process of product purchase more complex and prepossesses consumers.
- Distributors represent a wide range of products to the customers because they usually are representatives of different vendors at the same time. It allows them to create joint demand and to deliver solutions which are adapted under consumer needs.
- Nowadays, not all sales of software take place online, it requires presence of distribution companies.

- One of valuable qualities of distributor is technical examination. It means carrying out of high-quality analysis of orders with the purpose of minimization of risks by the incorrect orders at vendor.

Logistics:

- Distribution companies are the most operational participants in the organization of logistics schemes because distribution is responsible for meeting of deadlines and amount of delivery, planning of resources in stock, etc. They are capable to reduce unproductive time for solution of technical, financial, legal issues and questions of deliveries.
- Distribution companies are the wide sales channel for vendors allowing to reduce costs for logistics and to concentrate the attention on software development and support.
- Being an intermediate level for foreign vendors, distributors promote the problem solving of certain difficulties which vendors meet with when they sell in Russia. Wide geographical branch networks in Russia allow distributors to be the most flexible in implementation of deliveries.
- Existence of distributors allows customers to purchase different software at the same supplier that cuts down transportation costs and customer's expenses.

Payment terms and price:

- Most of official software distributors have specific payment terms (for example, crediting, payment deferral) which can be transferred to partners. It is one of competitive advantages of distributors before purchase of products directly without intermediaries.
- A possibility of integrator company to receive the most profitable price offer through the distribution company: distributors are most equipped with information on various programs and special offers that allows them to improve commercial appeal of the project. Buying a product directly from vendor, an opportunity to get under price offers is excluded.

Information equipment:

- A large number of offers in the software market limits the consumer in opportunities for operational handling of all information. Therefore, distributor as the most active player of the market can provide information support of orders quicker and more exact.
- Distribution company is able to propose a replacement of vendor considering market changes. Moreover, it is capable to consolidate different purchases at one supplier that reduces costs.
- The niche for software distributors appears when vendor faces a problem of knowledge transfer on the product to final consumers. Working with a great number of consumers, distributor accumulates base of knowledge and helps to improve relationship between “the seller and the buyer”.

Work with documentation:

- Most of vendors are foreign companies, it means that their documents flow does not conform to requirements in Russia. Therefore, one of the distributors' tasks is to adapt vendors' documentation under the Russian accounting terms.

There are threats of the entry into the market of software distribution despite the above-mentioned positive moments. For instance, there is a tendency of transition from classical model of distribution to electronic model that means a refusal from distributor and a work with clients directly through electronic services. Such model leads to considerable reduction both time of deliveries and simplification of its implementation. However, despite it, analytics differ the fact of convenience of this model for receiving of corporate licenses. Only the high qualified specialist can understand schemes of their obtaining but having of such employee will be costly for any organization. Additionally, it will not be easy to find a solution that includes software of several vendors.

Emergence of cloud services working on a little different model of distribution can become other treat for the market. However, there are dissatisfied persons who does not satisfied not only licensing but also the service at the moment. Vendors replace habitual face-to-face communication by online contacts through feedback

forms on their resources without a priority of localization that does not satisfy needs of customer in communication on the product.

3.2 Strategic analysis of the entity

Software market research demonstrated that the following categories of products have the highest dynamic of sales volume growth for the last years:

- business analytics solutions;
- resource management solutions (ERP-systems) and management systems of relationships with clients (CRM-systems);
- data security solutions.

Analysts persuades that the demand for these products will continue to grow. It does the products more attractive in case of products choice for distribution by relevant companies. Having analysed key consumers of the software market, it is possible to draw an inference that above-mentioned products are the most demanded for the following segments: transport and production sectors, energetics and retail trade. Thus, considering that these segments are the most active consumers for the last years then the “ICDD” company should focus its attention on them as well as select a relevant assortment portfolio in order to satisfy main requests of the market.

Examination of the market share among both the international software vendors and the large domestic companies allowed me to determine a list of vendors which the company will make partner agreements with. It will allow the “ICDD” company to approve itself as a strong distributor that is capable to adapt high-quality solutions of producers under specific consumers’ needs. Let us consider the selected software producers regarding a cooperation with the strongest competitors in the Russian market of distribution.

Table 3.3 – Partners agreements of software distributors

	ASBIS	1C	Treolan	OCS Dis- tribution	Axoft	Merlion	MONT
Microsoft	+	+	+	-	+	+	+
1C	-	+	-	-	+	+	-
IBM	-	-	-	+	-	+	+
SAP	-	-	-	-	+	-	-
Symantec	-	+	-	+	+	+	+
COREL	-	+	+	-	+	+	+
Kaspersky Lab	+	+	+	-	+	+	+
ABBYY	-	+	+	-	+	+	+
Adobe	+	+	+	-	+	+	+
Oracle	-	-	-	-	-	+	-
Prognoz	-	-	-	-	-	-	-

According to table 3.3, the Microsoft company has the greatest popularity among producers of ERP and CRM-systems as well as desktop applications and operating systems. The Kaspersky Lab has it among producers of data security solutions and virus protection programs. The Adobe System has popularity among programs of visual design and creative opportunities in creation of documents. Speaking about BI-systems, the companies such as IBM, SAP, Oracle, Microsoft and Prognoz are engaged in production of this type of products. It means that distribution companies give preferences to the Microsoft company. However, according to researches of Gartner and IDC companies for 2015, the Microsoft company is not the leader in this area and placement of forces in the market of BI-platforms looks as follows. Oracle is an indisputable market leader. SAP takes the second place after Oracle. Income of the company from sale of BI solutions constitutes about 50% of all income. The third largest software supplier of BI solutions is IBM companies which one of strong directions is advanced analytics and difficult solutions. And the Prognoz company is a leader of the Russian market of BI according to the researches of TAdviser. Thus, having studied the current situation it is possible to draw an inference on existence of a market niche in the market of software distribution.

Moreover, it has to be noted a presence of moderate growth of BI-market and further prospects of its development in Russia because BI-market did not reach a saturation point that means its equipment by new technical solutions and approaches of its implementation. However, sharp change of the attitude of consumer segments is traced owing to currency crisis. Nowadays, it becomes quite risky to rely on segment

of small business as it is less financially stable and interested in quality analysis of data. Regarding to medium business segment, the entities cut down their expenses and it means increase in requirements to the chosen solutions: maximum of functionality in case of minimum investment level. Thus, the main consumer segment of BI-market is large business at the moment that is explained by small amounts of costs for the systems of business analytics in general structure of investment costs.

Proceeding from the aforesaid, cooperation with leading companies in the field of BI-solutions can become powerful competitive advantage of “ICDD” that will allow the company to secure a foothold in the market and become strong distributor for large entities which needs in adaptation of more difficult and complex solutions.

Further development of restructuring strategy of the entity assumed the choice of minimal product portfolio of the company that will provide successful entry into new market and make it capable to compete with existing distributors in the market. Short data on products planned for further distribution taking into consideration opportunities of partner programs of international vendors (IBM, SAP, Oracle and Prognoz) are presented in the table 3.4. The full list of products with their description is presented in Appendix E.

Table 3.4 – Assortment portfolio of the “ICDD” company

Vendor		Product	Price for 1 unit, RUB.
Oracle	1	Business Intelligence Standard Edition One	68 400
SAP	2	SAP BusinessObjects BI	127 780
	3	SAP Predictive Analytics	314 041
IBM	4	IBM AIX Solution Edition for Analytical Decision Management	260 061
Prognoz	5	Optimization of production activity	81 299
	6	Management of energy efficiency	98 050

Further, I use a method of strategic analysis of the external environment for the analysis of competitiveness of the LLC “ICDD” in the market of software distribution and definition of a possibility of its development. This method assumes a definition of crucial factors of the environment which impact on further adoption of management decisions in the field of business restructuring of the entity. It has to be noted that the external environment is a complex phenomenon because current market conditions dictate fast dynamics and mobility of factors of the environment and its

variability is very difficult to predict. One of the most dynamic factors is competitive environment of the organization which make a direct impact on the company and subject to consideration.

Let us estimate extent of competition in the industry by means of Michael Porter's model of five competitive forces. This model will allow to understand the structure of the industry and to analyse its attractiveness from the point of view of receiving profit with the further use of the obtained data for development of the most effective business strategy. Porter's model assumes examination of company's position in the market according to five competitive forces that were allocated by him. In order to study the competitive situation in the market of software distribution, I considered all groups of factors separately, having estimated them on scoring system and having connected it together for the analysis of fuller view. The full analysis of competitive environment according to M. Porter is presented in Appendix D.

Table 3.5 – Results of the analysis of five forces according to M. Porter

Parameter	Level	Description	Work streams
Threat of substitute products or services	High	There are a lot of substitutes products in the market.	To increase competitiveness of products due to establishment of high-quality additional service for consumers, system of discounts, promo actions.
Threat of competition in the industry	Average	The market is highly competitive and perspective. There is a possibility to compare of products of different companies.	To carry out continuous examination of competitors proposals. To increase the uniqueness and value of products for consumers.
Threat of new entrants into an industry	High	Low level of barriers to entry the market and initial investments. High risks of appearance of new players.	To increase the loyalty level of consumers. To carry out the constant monitoring of appearance of new players.
Threat of customers attrition	Average	The insufficiency of consumer provided services is possible. Consumer preference is given to the most qualitative products, poorly depends on the price.	To improve the quality of additional services constantly.
Threat of suppliers' power	Low	Stability from suppliers.	To conduct negotiations about price reduction.

Proceeding from data of the table 3.5, it is possible to draw an inference that competitive environment in this industry is at an acceptable level that opens all opportunities for a successful entrance and profitable functioning in the market to the company. It should be noted that one factor from five competitive forces dominates according to Porter and it becomes decisive for development of business strategy of the entity. In this situation the factor is the threat of substitute products or services in the market and the company can resist it by development of the powerful competitive advantage capable to attract bigger number of consumers. Considering specifics of this business, the company cannot affect loyalty of consumers by improvement of quality of the products. That is why competitive advantage for the company can be provision of high-quality additional services in system integration to its clients. The system integration includes implementation of software, training and technical support as well as financial support by means of delay of payments.

It is necessary to note that conducted analysis of industry competitiveness does not assume forecasting and detection of future scenarios of development of this market because placement of forces in the industry is quite dynamic and is subject to quick changes. Therefore, conduct of SWOT-analysis is necessary in order to investigate possible prospects as well as risks of the company entering new market. SWOT-analysis assumes examination both existing possibilities for development of the company in the market and analysis of threats capable to undermine market positions of the company.

Table 3.6 – SWOT-analysis of LLC “ICDD”

	Strengths	Weaknesses
Internal environment	<ul style="list-style-type: none"> –experience as the distributor in the IT-market; –work with the strong trademarks satisfying by the quality and reliability; –stable relations with suppliers, long-term contracts; –provision of additional services, quality service; –orientation to creation of loyal consumers; 	<ul style="list-style-type: none"> –unstable financial position of the company at the moment; –lack of external investments; –company size; –small customer base; –ignorance of consumers about additional services of the distributor; –insufficiently qualifies personnel;

Continuation of the table 3.6

	Opportunities	Threats
External environment	<ul style="list-style-type: none"> –demand of products in the market; –wide range of suppliers; –exit of weak players from the market due to strengthening of competition; 	<ul style="list-style-type: none"> –instability of national currency; –strengthening of import substitution policy; –stiffening of sanctions against Russia; –high level of competition from substitute products and services; –decrease in business marginality owing to competition strengthening; –change of relation of consumer segments;

By results of the SWOT-analysis, it is possible to draw the following inferences:

- interaction of the company with reliable trade partners and the offer of necessary solutions to the market will be able to invite attention of consumers to the “ICDD” company. It will increase the consumer base and will eliminate lack of information of consumers on the provided service. Consequently, level of demand satisfaction for these products will raise in the BI-market.
- exit of weak players from the market will give opportunities to the company to gain a bigger market share as well as to form more unique competitive advantage;
- relevance of implementation of BI-systems in the software market and demand of this software will promote the stabilization of financial position of the entity. Therefore, there is a possibility to expand its sizes, attraction of more qualified personnel;
- growth of completion level in all business segments will be caused by strict requirements of clients in the condition of high investment risks. Therefore, the “ICDD” company has to pay attention to constant improvement of the competitive advantages, strengths of the sold products and also to be able to inform the consumers about them.
- the company will need to carry out continuous monitoring of needs of the target audience and to specialize in it because diffusion of efforts can lead to unsuccessful results due to arising distance between consumer segments.

- any changes of political or economic situation in the country will influence the distribution company insignificantly because there is a wide range of producer of qualitative software in the domestic market.

Thus, the strategic analysis of the “ICDD” company demonstrates that the restructuring strategy of business and its conversion into area of software distribution can be applicable within the analysed factors of external and internal environment as well as the current competitive situation in the market. The enterprise has all possibilities to become not only competitive but also attractive for consumers that will provide profit to the company. Further investigation assumes more detailed development of the strategy for its more effective implementation.

3.3 Mechanisms and actions for implementation of anti-crisis strategy at the LLC “ICDD”

Proceeding from the carried-out analysis of company’s activity, its internal situation and external environment, let us develop the detailed program of restructuring.

3.3.1 Purposes and problems of restructuring

Financial improvement of the company and prevention of pre-bankruptcy condition are the key purposes of restructuring. The complexity of restructuring process affects all aspects of business activity of the entity therefore its implementation is connected with realization of the following number of tasks:

- to analyse financial and economic activities of the company, indicators of company’s condition at the moment;
- to develop the concept of restructuring and to conduct the strategic analysis of the entity analysing position of the company in the market and prospects of application of new strategy;
- to develop the restructuring program.

The term of realization of restructuring process is 12 months including full repayment of obligations to creditors.

Restructuring of business will be carried out in a framework of already existing LLC “ICDD” company. In compliance with the Tax Code of the Russian Federation, the entity pays taxes and fees by a simplified taxation system.

The purpose of company’s activity is generation of profit and gaining a share in the market of software distribution in the field of BI.

Debts are not required on conduct of restructuring strategy at LLC “ICDD” and the amount of equity capital allocated for implementation of this strategy is estimated at 965000 rubles.

3.3.2 Implementation stages of restructuring

Table 3.7 - Implementation stages of restructuring

Stage	Work content	Period of work execution
Pre-investment	Conduct a market research, development of the business plan	0 period
Investment	Conclusion of partner agreements with vendors	0 period
	Enrolment and training of personnel	1 period
Operating	Beginning of sale of licenses	1 period

3.3.3 Restructuring actions

Restructuring of business of the “ICDD” company assumes full conversion of business activity from wholesale books trade to the sphere of software distribution.

The most demanded sphere among software consumers in the Russian market was defined by means of carried-out analysis of the market of software distribution as well as key competitors. Distribution of BI-systems and solutions will become the primary activity of the company applicable after the restructuring strategy. Moreover, the company will be engaged in additional types of activity for increase in competitiveness (for instance, system integration, technological consulting and consulting on products, trainings).

Small, medium and large-size companies are the target segment in the following sectors: transport, production, retail trade and energetics. However, large-size entities will become the main target audience.

Restructuring actions of the company assume the following sequence of actions after definition of a niche and target audience:

1. The analytical review of the largest vendors in the Russian market.
2. Examination of partners programs, conditions and regulations of cooperation.
3. Studying of vendors' products.
4. The choice among alternative options of vendors and concrete products which is both more acceptable for the company and satisfying market inquiries (by criteria: price, quality, availability).
5. Conclusion of partner agreements of vendors.
6. Enrolment of qualitative personnel.
7. Training of employees and preparation of workplace.

Restructuring of the "ICDD" company at the initial stage does not assume changes in organizational structure until the company will begin to get stable profit and will make the decision on expansion of its scales. The expansion assumes conclusion of new contract on cooperation with producers, increase in assortment portfolio of products, attraction of bigger number of personnel, expansion of a range of additional services. The staff of the company has to consist of the chief accountant, two account managers, the promotion manager (marketing, PR, advertising), the specialist in execution of orders (adaptation of solutions and their implementation), the system analyst (provision of consulting and services).

The salary of the chief accountant is fixed and figures up 45000 RUB/month, the account manager – 35000 RUB/month, the promotion manager – 35000 RUB/month, the specialist in execution of orders – 50000 RUB/month, the system analyst – 42000 RUB/month.

Budget of labour expenses is 242000 RUB/month.

Table 3.8 – Budget of labour expenses at LLC “ICDD”

Position	Number of people	Rate of salary, RUB
The chief accountant	1	45 000
The account manager	2	35 000
The promotion manager	1	35 000
The specialist in execution of orders	1	50 000
The system analyst	1	42 000

The organizational structure will require changes to linear and functional structure in case of successful functioning of the company after the term allocated on implementation of the project. It implies formation of functional blocks as marketing department, financial department, technical department, IT-department, human resource department.

All afore-said restructuring actions at the LLC “ICDD” can be carried out both by means of involvement of the specialist in anti-crisis management from outside and by own efforts of the top management of the company.

Let us consider the general costs structure connected with implementation of the restructuring strategy of the company.

According to the table 3.8, expenses on the salary of employees make 242000 rubles monthly.

The rent of the office rooms is fixed and makes 167000 rubles a month. The additional fee for public utility service, communication and cleaning services is included in the total rent amount. Other overhead costs make 10000 rubles monthly.

It is supposed to spend many funds for promotion of the company in the market of software distribution in order to involve the target audience. Marketing expenses make 104300 rubles a month throughout implementation of the project. It will be involved the placement of advertising in printing editions, namely in “Delovoy Peterburg”, “Kommersnat”, “Chelovek Dela” as well as on electronic portal of business magazine “Chelovek Dela” and portal about high technologies CNews for promotion of the entity. Moreover, the company will use the system of contextual advertising

“Yandex Direct” and Google AdWords where the advertisement is shown according to content of the Internet page. The contextual advertising works selectively and is displayed to visitors of Internet page whose sphere of interests potentially coincide with or meet the subject of the advertised products or services, target audience that increases probability of their response to advertising.

The expenses on promotion of the company is demonstrated in the table 3.9.

Table 3.9 – Marketing expenses

Type of advertisement	Cost, RUB.
“Delovoy Peterburg”	16 890
“Kommersant”	11 280
«Chelovek Dela»	14 130
CNews.ru	8 000
Contextual advertising Google AdWords	24 000
Contextual advertising «Яндекс Директ»	30 000
Total sum:	104 300

It is planned to pay the accounts payable during one year. It was chosen the annuity payment as a scheme of repayment. It means a division of the sum of all accounts payable into monthly payments which are equal in value. Thus, monthly payment to creditors contributes 173583 rubles.

Expenses on the conclusion of partner agreements with vendors become the biggest expenses for the company at a zero stage of realization of the strategy. The partner agreements with vendors are concluded one-time and the next payment can be paid from the company in case of increase of level of partner program. Let us consider the term of cooperation with each partner in the table 3.10.

Table 3.10 – Terms of the partner agreements conclusion

Vendor	Partner program	Terms	Cost, RUB.
Oracle	Oracle Silver	Sale of products from the Oracle 1-Click Products group. Limited access to the partner portal Oracle. 20% discount for training of Oracle University. Free licensed for development. Possibility of use the Oracle logo.	28 500

Continuation of the table 3.10

SAP	SAP Partner-Edge: Sell	Access to the partner portal with full tools and resources. Free online-trainings. Personal manager. Program's levels with deep advantages. Opportunities at exhibitions and events of SAP.	236 800
IBM	IBM Member	Existence of the certificates conforming high qualification of specialists of the partner company. Technical support.	-
Prognoz	Resellers	Personal manager. Access to the partner section of website. Discount for resale of licenses. Right to use the logo of Prognoz company.	-

Thus, expenses on conclusion of partner agreements with vendor companies contribute 256300 rubles. It is planning to increase partner levels for acquisition if the most favourable terms of cooperation in the future.

Figure 3.1 is presented below in order to generalize the information about expenses connected with implementation of the projects. It illustrates the costs structure.

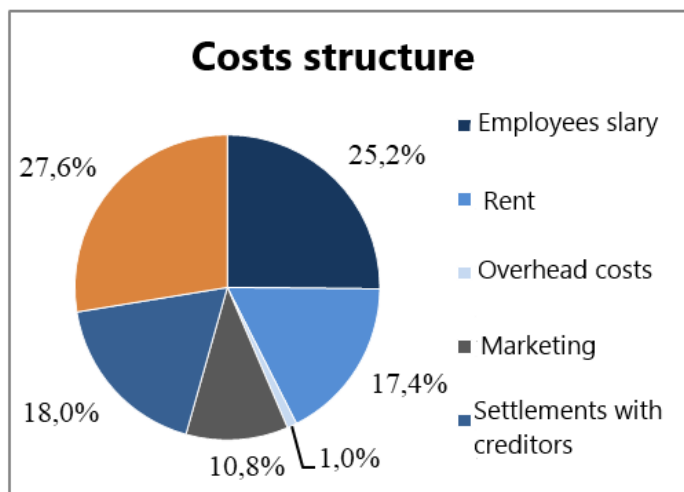


Figure 3.1 – Costs structure on the project implementation

3.3.4 Financial assessment and assessment of commercial usability of the project.

During the conduct of financial evaluation of the restructuring strategy, the revenue of the company was predicted for the entire term of implementation of this project. Existence of the customer base created during the previous experience of the company as IT-distributor in the market as well as active advertising assume the beginning of sales of software licenses in the first month of work of the company. However, the sales volume will not be considerable at the initial stage because consumers need time for acquaintance with the proposed solutions that means purchase of one or several systems for testing of efficiency of its implementation at the specific enterprise. The predicted revenue is reflected in the table F.1 (see Appendix F). Columns of the table from 1 to 6 correspond to numerical order of products presented in the table 3.4. Revenue of the project made 1018031 rubles for the last period.

On the basis of data on the estimated revenue of the company as well as costs structure, the plan of profits and losses was made. It is presented in the table F.2, Appendix F. According to the data of this table, it is visible that the restructuring strategy of the company will pay off in 10th month because net profit on an accrual basis will exceed financial investments in this period.

In the table F.3 we will estimate the movement of cash flows at the stage of strategy implementation and analyse influence of expenses of every period. According to the table, it is possible to say that the project of business restructuring of the company is liquid because the total cash flow accepts positive value throughout all process of realization.

Proceeding from the information which is obtained from the table F.2 and F.3, it is possible to observe positive dynamics of profit indicators. The indicator of net profit was 3661,3 rubles during the first period of strategy realization and made 301879 rubles by the end of realization period.

Expenses on the zero period of project implementation (962183 RUB.) are higher than expenses for the first month (697116,7 RUB.) that is explained by additional costs on conclusion of partner agreements with vendors. This indicator reaches a point of 681021,88 rubles by the end of realization period.

Calculation of profit margins is the following stage of financial assessment of the project. The profit margin is similar to ROE and demonstrates what part of investment expenses is compensated in form of a profit during one interval of planning. The conclusion about expediency of the future data analysis of the investment project conducts on the basis of comparison by the investor of settlement size of profit margins with minimum or average level of profitability.

Calculation of profit margins is presented in the table 3.11.

Table 3.11 – Profit margins

	Indicator	Period, month				
		1	2	3	4	5
1	Financing	965000	0	0	0	0
2	Net profit	3661,3	15786,36	31457,1	34551,58	85292,78
3	Profit margins	0,38%	1,64%	3,26%	3,58%	8,84%

	Period, month						
	6	7	8	9	10	11	12
1	0	0	0	0	0	0	0
2	106189,9	101038,7	167391,4	201684,52	247534	261883,1	301879,1
3	11,00%	10,47%	17,35%	20,90%	25,65%	27,14%	31,28%

Profit margins indicator reached a point of 31,28% by the end of implementation period.

Project assessment on an indicator of net present value (NPV) and payback period with discounting becomes the final stage of commercial usability assessment of the project.

Discounted payback period is a term which is required for return of the enclosed investments in the project at the expense of net cash flow considering a discount rate. This indicator is calculated by means of NPV indicator which represents a difference between all cash inflows and outflows reduced to a current point in time. It demonstrates the amount of cash that the investor expects to receive from the project after cash inflows pay back his initial financial investments and periodic cash outflows connected with implementation of the project. Thus, NPV indicator can be interpreted as the general profit of the investor. Calculations of NPV and payback period with discounting are given in the table F.4, Appendix F.

Discount rate is calculated on the CAMP model considering risk-free rate of income and market risk premium. According to the Central Bank, risk-free rate of income for 2017 is equal to 9,25% and market risk premium contributes 14,5%.

The payback period with discounting made 10 months for the restructuring project. NPV indicator reached a point of 557015,27 rubles by the end of realization period of the project.

The data provided in the table F.4 allowed to estimate the project on an indicator of internal rate of return (IRR) and profitability. IRR is an interest rate where NPV is equal to 0. The economic sense of IRR is that the investor will be able to compensate all initial investments at such rate. The annual IRR made 66,26% for the restructuring project.

Profitability index (PI) of investments demonstrates the relation of equity return to the volume of investments in the project. In other words, PI shows how many rubles we will earn from one invested ruble. PI of investments made 1,58 for the restructuring project. Thus, PI is bigger than 1 that confirms prospects of this project.

Thus, proceeding from the results of conducted research of financial assessment of the restructuring project of the "ICDD" company, it is possible to draw an inference that the project is commercially usable and efficient. The implementation of the considered restructuring strategy of business will allow the company to avoid bankruptcy and to continue its functioning with assumed receiving of steadily growing income.

CONCLUSION

In the current political and economic conditions there is a probability of crisis arising in development and functioning of any organization and its reflection can affect the business activity of the entity in different level. Any management must be anti-crisis in organization in order to distinguish and prevent a crisis situation timely. The company's strategy is crucial in anti-crisis management. It allows both to be prepared for crisis arising and to define further orientation of business activities of the company for crisis elimination in case of crisis existence. In the bachelor thesis the restructuring process of the organization is considered as anti-crisis response measures for overcoming insolvency and unprofitability of the entity as well as the way of prevention of bankruptcy. Anti-crisis management is carried out by development and realization of complex measures directed to increase of company's profitability in this case.

In the bachelor thesis the restructuring strategy was developed for the "ICDD" company working in the sphere of distribution of intellectual property, namely wholesale trade of books of Cisco company with the further transformation of it in the sphere of software distribution. The characteristic of the enterprise was given as well as the analysis of financial and economic activity was carried out and the main groups of indicators of its economic efficiency were calculated. By results of the analysis we concluded that the status of the company is estimated as unprofitable. It leads to decrease of efficiency level of financial and economic activity. Confirmation of insolvency of the company demonstrates high probability of bankruptcy. These conclusions indicate the existence of crisis situation in the organization that requires immediate permission.

The development of restructuring strategy of the entity assumed a conduct of marketing analysis of the industry, the analysis of the main competitors, making the SWOT-analysis. By the results of the marketing analysis of the market, the main orientation of sales of license software was defined that assumes work with solutions and systems of business analytics where the main consumer segment is large-size business. Moreover, the minimum product portfolio was created by the results of studying of the largest vendors in the Russian market and their partner programs and offers. The conclusion on suitability of the strategy for conversion of business

strategy in the sphere of software distribution in the direction of business analytics was drawn during other investigations.

Necessary measures were defined during further studying and development of organizational plan for implementation of the restructuring strategy was conducted. The strategy assumed calculations of necessary expenses for its effective realization. The financial assessment of the restructuring project became the final step of the bachelor thesis. It assumed calculation of proceeds from the project, making the plan of profits and losses and the plan of cash flow. Moreover, indicators of profit margins and net present value were calculated as well as payback period that was defined by means of NPV considering discounting. The conducted assessment of internal rate of return and profitability index demonstrates that the project is rather profitable and commercially attractive as well as that the enclosed investments will pay off.

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APPENDICES

APPENDIX A. The accounting documentation

APPENDIX B. Detailed analysis of company's income for 2015-2016

APPENDIX C. Comparative table of competitors

APPENDIX D. The analysis of five competitive forces according to M. Porter

APPENDIX E. Product portfolio of LLC "ICDD"

APPENDIX F. Financial assessment of the project

APPENDIX A. The accounting documentation

Table A.1 - Balance sheet of LLC "ICDD" for the period from 2013 to 2016, thou. RUB

Indicator name	Line code	December, 31 st , 2013	December, 31 st , 2014	December, 31 st , 2015	December, 31 st , 2016
ASSET					
I. CAPITAL ASSET					
Intangible assets	1110	-	-	-	-
Property and equipment	1150	300	300	300	300
Profitable investments into tangible assets	1160	-	-	-	-
Long-term financial investments	1170	-	-	-	-
Deferred tax assets	1180	-	-	-	-
Other capital assets	1190	-	-	-	-
Total section I	1100	300	300	300	300
II. CURRENT ASSET					
Inventory	1210	-	-	-	-
Input VAT	1220	-	-	-	-
Accounts receivable	1230	8 132	5 910	4 321	2 500
Short-Terms financial investments (except cash equivalents)	1240	-	-	-	-
Cash assets and cash equivalents	1250	1 023	406	287	583
Other current assets	1260	-	-	-	-
Total section II	1200	9 154	6 317	4 608	3 083
TOTAL	1600	9 454	6 617	4 908	3 383

Continuation of the table A.1

LIABILITIES					
III. CAPITAL AND RESERVES					
Authorized capital	1310	300	300	300	300
Revaluation of capital assets	1340	-	-	-	-
Additional capital (without revaluation)	1350	-	-	-	-
Reserves	1360	-	-	-	-
Retained earnings	1370	8 482	1 527	2 882	1 000
Total section III	1300	8 782	1 827	3 182	1 300
IV. LONG-TERM LIABILITIES					
Debt	1410	-	-	-	-
Deferred tax liabilities	1420	-	-	-	-
Other liabilities	1450	-	-	-	-
Total section IV	1400	-	-	-	-
V. SHORT-TERM LIABILITIES					
Debt	1510	-	-	-	-
Accounts payable	1520	672	4 790	1 726	2 083
Deferred credits (income)	1530	-	-	-	-
Estimated liabilities	1540	-	-	-	-
Other short-terms liabilities	1550	-	-	-	-
Total section V	1500	672	4 790	1 726	2 083
TOTAL	1700	9 454	6 617	4 908	3 383

Table A.2 – Income statement, thou. RUB

Indicator	Line code	2012	2013	2014	2015	2016
Revenues	2110	49 457	47 670	45 684	24 563	9 076
Cost of sales	2120	(32 709)	(30 418)	(32 944)	(13 711)	(3 542)
Gross margin	2100	16 748	17 252	12 740	10 852	5 534
Business ex- penses	2210	-	-	-	-	-
Management ex- penses	2220	(4 255)	(4 099)	(4 693)	(5 143)	(6 035)
Profit (loss) of sales	2200	12 493	13 153	8 047	5 709	(501)
Income from other business	2310	-	-	-	-	-
Interest receiva- ble	2320	-	-	-	-	-
Interest payable	2330	-	-	-	-	-
Other income	2340	1 888	587	6 760	1 224	338
Other expenses	2350	(5 826)	(5 049)	(8 664)	(3 943)	(1 123)
Earnings before tax	2300	8 555	8 691	6 143	2 990	(1 287)
Current income tax	2410	-	-	-	-	-
including con- stant tax liabili- ties (assets)	2421	-	-	-	-	-
Changes of de- ferred tax liabili- ties	2430	-	-	-	-	-
Changes of de- ferred tax assets	2450	-	-	-	-	-
Other	2460	(483)	(563)	(708)	(627)	(579)
Net profit (loss)	2400	8 072	8 128	5 435	2 363	(1866)
<i>Note – the data providing in brackets are a loss, that is accept a negative value</i>						

APPENDIX B. Detailed analysis of company's income for 2015-2016

Table B.1 - Detailed analysis of company's income for 2015-2016

Indicator	2015	2016	Absolute deviation	Rate of growth (draw-down), %
Revenues	24 563	9 076	-15 486	37,0
Cost of sales	13 711	3 542	-10 169	25,8
Gross margin	10 852	5 534	-5 318	51,0
Business expenses	-	-	-	-
Management expenses	5 143	6 035	893	117,4
Profit (loss) of sales	5 709	-501	-6 210	-8,8
Income from other business	-	-	-	-
Interest receivable	-	-	-	-
Interest payable	-	-	-	-
Other income	1 224	338	-887	27,6
Other expenses	3 943	1 123	-2 821	28,5
Earnings before tax	2 990	-1 287	-4 277	-43,0
Current income tax	-	-	-	-
including constant tax liabilities (assets)	-	-	-	-
Changes of deferred tax liabilities	-	-	-	-
Changes of deferred tax assets	-	-	-	-
Other	627	579	-48	92,3
Net profit (loss)	2 363	-1866	-4229	-79,0

APPENDIX C. Comparative table of competitors

Table C.1 - Comparative table of competitors

Company name, foundation year	Structure by types of products	Vendors structure	Structure of dealer network	Regional business structure
«1C», 1991	<ul style="list-style-type: none"> – system software - SW (server, desktop solutions, administration and control); – SW for safety; – application SW (graphics, design, multimedia); – desktop applications; – cloud solutions. 	<p>List of the main vendors: ABBYY, Acronis, Adguard, Adobe, Avast, Aladdin, Alt Linux, ASP Linux, Corel, Famatech, Macromedia, Microsoft, Oxygen Software, Red Hat, Smartline, Symantec, UserGate, «Kaspersky Lab», «LinuxCenter», «PROMT».</p>	<p>Number of dealers: 6783 (2015). Share of partners in the largest regions:</p> <ol style="list-style-type: none"> 1. Moscow – 20,0% 2. Volga FD* – 16,0% 3. Central FD– 15,9% 4. Siberian FD – 10,2% 5. South FD – 9,4% 6. Saint-Petersburg – 6,4% <p>* FD – Federal District</p>	<p>Share of regions:</p> <ol style="list-style-type: none"> 1. Moscow – 36,7% 2. Volga – 16,3% 3. Siberian – 8,6% 4. South – 8,3% 5. Central – 7,2% 6. Saint-Petersburg – 7,1%
Treolan, 1991	<ul style="list-style-type: none"> – infrastructure solutions – 35,0%; – personal systems – 40,0%; – components and accessories – 10,0%; – SW and data security – 10,0%. 	<p>90 partners agreement, from which 40 – distributor contracts. Top of 15th vendors (2015): APC, ASUS, Benq, Dell, EMC, Hewlett Packard Enterprise, HP Inc, Huawei, Intel, Irbis, Lenovo, Microsoft, NEC, Seagate, Western Digital.</p>	<p>Number of active dealers: 2200 (2015). Share of partners in the regions:</p> <ol style="list-style-type: none"> 1. Moscow – 49,0% 2. Volga FD – 13,0% 3. Ural FD – 8,0% 4. Siberian FD -7,0% 5. Saint-Petersburg – 7,0% <p>Specialization of partners:</p> <ol style="list-style-type: none"> 1. Corporate and SMB-segment – 89,0% 2. System integrators – 4,0% 3. Retail – 3,0% 4. Subdistributors– 1,0% 	<p>Share of regions:</p> <ol style="list-style-type: none"> 1. Moscow – 68,0% 2. Other regions – 32,0% <p>Currently, there are three regional branches of the distributor:</p> <ol style="list-style-type: none"> 1. Samara 2. Novosibirsk 3. Ekaterinburg

Continuation of the table C.1

OCS Distribution, 1994	<ul style="list-style-type: none"> - SW; - personal systems; - accessories, games, gadgets; - service; - mobile systems; - hardware (HW) peripheral. 	More than 250 producers	<p>Number of dealers: 7280 (2015)</p> <p>Specialization of partners:</p> <ol style="list-style-type: none"> 1. Corporate market – 59,0% 2. Retail – 28,0% 3. Universal resellers – 8,0% 4. Subdistributors – 5,0% 	<p>Share of regions:</p> <ol style="list-style-type: none"> 1. Moscow – 63,0% 2. Saint-Petersburg – 11,0% 3. Volga – 7,4% 4. Siberian – 4,9%
Axoft, 2004	<ul style="list-style-type: none"> - system SW; - SW for developers; - data security; - CADD, GIS, graphics; - business-apps. 	<p>List of key vendors:</p> <p>«Kaspersky Lab», «Kod Bezopasnosti», Microsoft, HP, Positive Technologies, Kerio, Red Hat, Acronis, «Al-ladin R.D.», SolarWinds, «Askon», «Eshelon», «Poca», «Alteks», TmaxSoft, Embarcadero.</p>	<p>Number of dealers: 6000 (2015 r).</p> <p>Share of partners in the regions:</p> <ol style="list-style-type: none"> 1. Moscow – 20,0% 2. Volga FD – 17,0% 3. Siberian FD – 16,0% 4. Ural FD – 13,0% 5. Saint-Petersburg – 7,0% <p>Specialization of partners:</p> <ol style="list-style-type: none"> 1. Corporate suppliers of SW – 97,0% 2. Corporate suppliers of HW – 91,0% 3. System integrators – 62,0% 4. Retail – 45,0% 5. SW developers – 19,0% 6. Online stores – 16,0% 	<p>Share of regions:</p> <ol style="list-style-type: none"> 1. Moscow – 42,8% 2. Saint-Petersburg – 14,9% 3. Siberian- 10,8% 4. Volga – 10,7% 5. Ural – 5,9% <p>Branches of the distributor in Russia:</p> <p>Arkhangelsk, Vladivostok, Volgograd, Voronezh, Ekaterinburg, Irkutsk, Kazan, Krasnodar, Krasnoyarsk. Nizhny Novgorod, Novosibirsk, Omsk, Perm, Rostov-on-Don, Samara, Saint-Petersburg, Ufa, Khabarovsk, Chelyabinsk.</p>

Ending of the table C.1

Merlion, 1992r	<ul style="list-style-type: none"> – network HW; – SW; – servers and DSS; – peripheral; – and other. 	<p>More than 450 vendors, from which 300 – distribution contracts.</p> <p>The key vendors: Acer; Apple; ASUS; Bosh; Dell; Digma; HDS; HP; Huawei; IBM; Intel; Ippon; Lenovo; LG; Microsoft; Philips; Samsung; Seagate; WD; «Burokrat».</p>	<p>Number of active dealers: 5500 (2015). Share of partners in the regions:</p> <ol style="list-style-type: none"> 1. Moscow – 24,0% 2. Volga FD – 15,0% 3. Siberian FD – 13,0% 4. Ural FD – 11,0% 5. Central FD – 10,0% 6. Saint-Petersburg – 9,0% <p>Specialization of partners:</p> <ol style="list-style-type: none"> 1. Retail 2. System integrators 3. Subdistributors 4. Commercial and state structures 5. Online stores 6. Federal retail 	<p>Share of regions:</p> <ol style="list-style-type: none"> 1. Moscow – 53,0% 2. Fast East – 10,6% 3. Saint-Petersburg – 8,9% 4. South – 7,5% <p>Currently, the company has seven branches:</p> <ol style="list-style-type: none"> 1. Moscow 2. Saint-Petersburg 3. Nizhny Novgorod 4. Ekaterinburg 5. Novosibirsk 6. Rostov-on-Don 7. Samara
MONT, 2002	<ul style="list-style-type: none"> – platform and infrastructure solutions; – operating systems; – desktop solutions; – data security; – application SW; – cloud services. 	<p>Aastra, ABBYY, Adobe Systems, Agnitum, Atlansys Software, Corel Corporation, Dr. Web, IBM, Jabra, Kaspersky Lab, Microsoft, MicroWorld, Paragon, Plantronics, Polycom, PROMT, Red Hat, SmartSoft, Symantec, Trend Micro, Veeam, VMware.</p>	<p>Number of dealers: 4150 (2013)</p>	<p>Currently, branches of MONT work in:</p> <ol style="list-style-type: none"> 1. Saint-Petersburg 2. Samara 3. Volgograd 4. Ekaterinburg 5. Novosibirsk 6. Vladivostok
ASBIS, 1990	<ul style="list-style-type: none"> – SW. 	<p>Microsoft, AVG, McAfee, Adobe, Prestigio, GIGABYTE, Doctor Web, Kaspersky Lab</p>	<p>Number of dealers: 3000 (2013)</p>	<p>Local branches: Moscow, Saint-Petersburg, Voronezh, Kazan, Ufa.</p>

APPENDIX D. The analysis of five competitive forces according to M. Porter

Table D.1 - The analysis of five competitive forces according to M. Porter

Evaluation item	Parameter estimator		
	3	2	1
<i>Threat assessment of substitute products or services</i>			
Substitute products	Exist and occupy a high share in the market	Exist but only entered the market and their share is small	Does not exist
	3		
FINAL POINT	3		
1 point	Low threat level		
2 points	Average threat level		
3 points	High threat level		
<i>Threat assessment of competition in the industry</i>			
Number of players	High level of market saturation	Average level of market saturation (3-10)	Small number of players (1-3)
	3		
Rate of market growth	Stagnation or decrease of market size	Slowing down but growing	High
			1
Product differentiation level in the market	The companies sell the standardized goods	The goods in the market are standardized on key features but differ in additional benefits	The company's goods differ among themselves significantly
		2	
Restriction in price increase	Severe price competition in the market, there are not opportunities in price increase	There is an opportunity in price increase only within a covering of growth of costs	There is always an opportunity in price increase for a covering of growth of costs and profit raise
		2	
FINAL POINT	8		
4 points	Low level of competition in the industry		
5-8 points	Average level of competition in the industry		
9-12 points	High level of competition in the industry		

Continuation of the table D.1

<i>Threat assessment of new entrants into an industry</i>			
Economies of scale	Absent	Exists only at several players	Significant
	3		
Strong brands with the high level of knowledge and loyalty	There are not large players	2-3 large players hold about 50% of the market	2-3 large players hold more than 80% of the market
		2	
Product differentiation	Low level of variety of goods	There are micro-niches	All possible niches are occupied by players
			1
Level of investments and costs for entrance into the industry	Low (pays off in 1-3 months of work)	Average (pays off in 6-12 months of work)	High (pays off more than 1 year of work)
		2	
Access to distribution channels	Completely open	Requires moderate investments	Access is limited
	3		
Government policy	There are not limited laws from the state	State intervention at a low level	Strict restrictions from the state
		2	
Readiness of the existing players for price reduction	Players will not reduce prices	Large players will not reduce prices	Existing players reduce prices in any attempt of input of cheaper offer
		2	
Rate of industry growth	High and growing	Slowing down	Stagnation or fall
	3		
FINAL POINT	18		
8 points	Low level		
9-16 points	Average level		
17-24 points	High level		

Ending of the table D.1

<i>Threat assessment of customers attrition</i>			
Share of customers with the large volume of sales	More than 80% of sales are the share of several customers	Insignificant part of customers holds about 50% of sales	Sales volume is regularly distributed between all customers
			1
Tendency to buy to the substitute products	The company products are not unique, there are complete analogues	The company products are partly unique, there are distinctive features that are important for customers	The company products are completely unique, there are not any analogues
		2	
Price sensitivity	Customers will always buy the goods with lower price	Customer will buy only in case of a significant difference in prices	Customer is not price-sensitive absolutely
			1
Consumers are not satisfied with the quality in the market	Dissatisfaction with key features of products	Dissatisfaction with minor features of products	Complete satisfaction with the quality
		2	
FINAL POINT	6		
4 points	Low level		
5-8 points	Average level		
9-12 points	High level		
<i>Threat assessment of suppliers' power</i>			
Number of suppliers		Small number of suppliers or monopoly	Wide choice of suppliers
			1
Limitation of suppliers' resources		Limited amounts	Unlimited amounts
			1
Switching costs		High costs of switching to other suppliers	Low costs of switching to other suppliers
			1
Priority of the direction for the supplier		Low priority of the industry for the supplier	High priority of the industry for the supplier
			1
FINAL POINT	4		
4 points	Low level		
5-6 points	Average level		
7-8 points	High level		

APPENDIX E. Product portfolio of LLC “ICDD”

Table E.1 – Product portfolio of LLC “ICDD”

Vendor	Product	Description	Price for 1 unit, RUB.
Oracle	Business Intelligence Standard Edition One	Product for creation of analytical systems and reporting including the combination of data from different sources, ways of visualization of information in the real time, personalized data analysis and automated preparation of the traditional paper reports;	68 400
SAP	SAP BusinessObjects BI	The full-functioning planning system for large-size companies assuming the full, dynamic and easily adjusted cycle of planning, budgeting and forecasting;	127 780
	SAP Predictive Analytics	Solution for forecasting analytics allowing to automate data preparation, forecasting modelling, to use predictive assessment inside of database for various target system;	314 041
IBM	IBM AIX Solution Edition for Analytical Decision Management	BI-solution optimizing big data processing and analytical applications;	260 061
Prognoz	Optimization of production activity	Solution providing decrease in costs and increase in income due to rational planning of company's activity considering existing financial, production and logistic restrictions;	81 299
	Management of energy efficiency	Solution including complex accounting of energy resources and their rational use by implementation in the industry of energy provision and energetics;	98 050

APPENDIX F. Financial assessment of the project

Table F.1 – Revenue forecasting

	Indicator	Period, month											
		0						1					
1	Product	1	2	3	4	5	6	1	2	3	4	5	6
2	Price, RUB.	68 400	127 780	314 041	260 061	81 299	98 050	68 400	127 780	314 041	260 061	81 299	98 050
3	Quantity, unit.	0	0	0	0	0	0	6	1	0	0	2	0
4	Revenue, RUB.	0	0	0	0	0	0	410 400	127 780	0	0	162 598	0
5	Sum of revenue, RUB.	0						700 778					

Continuation of the table F.1

	Period, month											
	2						3					
1	1	2	3	4	5	6	1	2	3	4	5	6
2	68 400	127 780	314 041	260 061	81 299	98 050	68 400	127 780	314 041	260 061	81 299	98 050
3	5	1	0	0	3	0	4	0	0	0	2	3
4	342 000	127 780	0	0	243 897	0	273 600	0	0	0	162 598	294 150
5	713 677						730 348					

Continuation of the table F.1

	Period, month											
	4						5					
1	1	2	3	4	5	6	1	2	3	4	5	6
2	68 400	127 780	314 041	260 061	81 299	98 050	68 400	127 780	314 041	260 061	81 299	98 050
3	1	1	0	1	1	2	1	1	1	0	1	2
4	68 400	127 780	0	260 061	81 299	196 100	68 400	127 780	314 041	0	812 99	196 100
5	733 640						787 620					

Continuation of the table F.1

	Period, month											
	6						7					
1	1	2	3	4	5	6	1	2	3	4	5	6
2	68 400	127 780	314 041	260 061	81 299	98 050	68 400	127 780	314 041	260 061	81 299	98 050
3	1	3	0	1	0	1	1	1	1	0	0	3
4	68 400	383 340	0	260 061	0	98 050	68 400	127 780	314 041	0	0	294 150
5	809 851						804 371					

Continuation of the table F.1

	Period, month											
	8						9					
1	1	2	3	4	5	6	1	2	3	4	5	6
2	68 400	127 780	314 041	260 061	81 299	98 050	68 400	127 780	314 041	260 061	81 299	98 050
3	5	2	0	0	1	2	3	0	1	0	0	4
4	342 000	255 560	0	0	81 299	196100	205 200	0	314 041	0	0	392 200
5	874 959						911 441					

Ending of the table F.1

	Period, month																	
	10						11						12					
1	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6
2	68400	127780	314041	260061	81299	98050	68400	127780	314041	260061	81299	98050	68400	127780	314041	260061	81299	98050
3	3	4	0	0	3	0	4	1	1	1	0	0	2	1	1	1	1	1
4	205200	511120	0	0	243897	0	273600	127780	314041	260061	0	0	136800	127780	314041	260061	81299	98050
5	960 217						975 482						1 018 031					

Table F.2 – Profits and losses plan of LLC “ICDD”

Indicator	Period, month											
	1	2	3	4	5	6	7	8	9	10	11	12
Total sales	700778	713677	730348	733640	787620	809851	804371	874959	911441	960217	975482	1018031
Salary of employees	242000	242000	242000	242000	242000	242000	242000	242000	242000	242000	242000	242000
Rent	167000	167000	167000	167000	167000	167000	167000	167000	167000	167000	167000	167000
Marketing	104300	104300	104300	104300	104300	104300	104300	104300	104300	104300	104300	104300
Overhead costs	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Settlements with creditors	173583	173583	173583	173583	173583	173583	173583	173583	173583	173583	173583	173583
Earnings before tax	3895	16794	33465	36757	90737	112968	107488	178076	214558	263334	278599	321148
STS, 6%	233,7	1007,64	2007,9	2205,42	5444,22	6778,08	6449,28	10684,56	12873,48	15800,04	16715,94	19268,88
Net profit	3661,3	15786,36	31457,1	34551,58	85292,78	106190	101039	167391	201685	247534	261883	301879
Net profit on an accrual basis	3661,3	19447,66	50904,76	85456,34	170749,12	276939	377978	545369	747054	994588	1256471	1558350

Table F.3 – Cash flow plan

Indicator	Period, month						
	0	1	2	3	4	5	6
Rest of cash for the beginning of the period	0	2817	6478,3	22264,66	53721,76	88273,34	173566,12
Financing	965000	0	0	0	0	0	0
Sales proceeds	0	700778	713677	730348	733640	787620	809851
Total receipts	965000	700778	713677	730348	733640	787620	809851
Salary of employees	242000	242000	242000	242000	242000	242000	242000
Rent	167000	167000	167000	167000	167000	167000	167000
Marketing	104300	104300	104300	104300	104300	104300	69170
Overhead costs	10000	10000	10000	10000	10000	10000	10000
Settlements with creditors	173583	173583	173583	173583	173583	173583	173583
Partner agreements	265 300	0	0	0	0	0	0
STS, 6%	0	233,7	1007,64	2007,9	2205,42	5444,22	6778,08
Total expenses	962183	697116,7	697890,64	698890,9	699088,42	702327,2	668531,08
Rest of cash for the end of the period	2817	6478,3	22264,66	53721,76	88273,34	173566,1	314886,04

Ending of the table F.3

Indicator	Period, month					
	7	8	9	10	11	12
Rest of cash for the beginning of the period	314886,04	451054,76	653576,2	890390,72	1173054,68	1470067,74
Financing	0	0	0	0	0	0
Sales proceeds	804371	874959	911441	960217	975482	1018031
Total receipts	804371	874959	911441	960217	975482	1018031
Salary of employees	242000	242000	242000	242000	242000	242000
Rent	167000	167000	167000	167000	167000	167000
Marketing	69170	69170	69170	69170	69170	69170
Overhead costs	10000	10000	10000	10000	10000	10000
Settlements with creditors	173583	173583	173583	173583	173583	173583
Partner agreements	0	0	0	0	0	0
STS, 6%	6449,28	10684,56	12873,48	15800,04	16715,94	19268,88
Total expenses	668202,28	672437,56	674626,48	677553,04	678468,94	681021,88
Rest of cash for the end of the period	451054,76	653576,2	890390,72	1173054,68	1470067,74	1807076,86

Table F.4 – Assessment of the project payback considering discounting

	Indicator	Period, month					
		0	1	2	3	4	5
1	Discount rate	0%	0,26%	0,26%	0,26%	0,26%	0,26%
2	Financing	965000	0	0	0	0	0
3	Net cash flow	-965000	3661,3	15786,36	31457,1	34551,58	85292,78
4	Discount factor	1,000	0,997	0,995	0,992	0,990	0,987
5	Net discounted cash flow	-965000	3651,805	15704,59	31213,005	34194,567	84192,57
6	Net present value (NPV)	-965000	-961348,2	-945643,6	-914430,6	-880236,03	-796043,5
7	Check of payback condition (yes/no)	no	no	no	no	no	no

Ending of the table F.4

	Period, month						
	6	7	8	9	10	11	12
1	0,26%	0,26%	0,26%	0,26%	0,26%	0,26%	0,26%
2	0	0	0	0	0	0	0
3	106189,92	101038,72	167391,44	201684,52	247533,96	261883,06	301879,12
4	0,985	0,982	0,979	0,977	0,974	0,972	0,969
5	104548,33	99218,79	163950,08	197025,87	241189,16	254508,74	292617,75
6	-691495,13	-592276,34	-428326,26	-231300,38	9888,78	264397,52	557015,27
7	no	no	no	no	yes	yes	yes