WE USED THE METHODS OF JOHN ARGENTI WHEN CARRYING OUT MEASURES TO PREDICT THE BANKRUPTCY OF THE ENTERPRISE

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The current state of the economy is accompanied by an increase in the level of requirements for the managers of construction companies, most of which could not quickly adapt to the new difficult conditions. This was one of the reasons that a significant number of construction companies were in a state of crisis, and this, in turn, requires improving the structure of the economic environment of its regions, enterprises, and the definition of anti-crisis management tools.

Anti-crisis management of an enterprise is a system of measures of a pre-crisis (preventive) nature aimed at diagnosing the threat of bankruptcy, finding ways out of the crisis state of the enterprise; as well as assessing the post-crisis state of the enterprise and implementing actions to eliminate the negative consequences of the financial crisis by the enterprise. [1]

In order to introduce productive management in the studied enterprises, one of the most effective tools for anti-crisis management of enterprises and prevention of bankruptcy is the use of the method of John Argenti.

The method of scoring or the Argenti indicator (A-score), based on individual analysis, is an alternative method for predicting the probability of bankruptcy. The Argenti indicator shows a management crisis. According to the outlined methodology, the study, as a rule, should begin with the following assumptions:

- there is a process that leads to bankruptcy;
- this process takes several years to complete;
- there is a probability of the distribution of this process into three stages:

When determining the Argenti index of a certain business entity, you should set either the number of points according to the A-score, or zero, that is, intermediate indicators are not allowed. Points are assigned to each factor at the appropriate stage and an aggregated Argenti score is obtained.

The A-account model takes into account not only the economic, but also the social motives of bankruptcy. The obvious advantage of the outlined qualitative method is its complex and systematic approaches to the issues of predicting crisis events. Focusing on one particular standard, even if it is quite attractive from the point of view of theory, is not always advisable in reality.

The disadvantages are that this model is very complex in terms of decision-making practice in a multi-criteria task.
Before proceeding directly to the characterization of the methods by which such approaches are implemented, it is advisable to understand what exactly they can predict. The probability of bankruptcy, in fact, should be considered as a direct manifestation of the probability of a crisis. Usually, bankruptcy is understood as the onset of a financial crisis, that is, the inability of an enterprise to fulfill its own obligations. Also, in addition, the business entity may feel the onset of an economic and management crisis.

Of course, different methods of predicting the probability of bankruptcy primarily provide for the manifestations of different types of crises, so the results often differ very significantly. Therefore, all these methods should be considered crisis-predictive (K-predictive). However, none of these methods can fully claim to apply it as a universal one if there is a specialization in one particular type of crisis. Therefore, it can be considered appropriate to study the dynamics of changes in several main indicators of the enterprise.

The primary internal factor (the root cause of the crisis) is weak leadership. Poor management leads to bankruptcy. In the method of John Argenti identifies such management shortcomings that cause a crisis type of management: a powerful composition of managers; insufficient knowledge of management; an unbalanced administrative team; a team that does not work well; a lack of strategic approach; weak discipline; promiscuity and lack of enthusiasm.

The A-score method is the only one that attempts to link the probability of bankruptcy to the quality of management (albeit on the basis of a superficial assessment of the quality of management). With the help of the John Argenti indicator (a-score), it is possible to diagnose the solvency of an economic entity, taking into account the specifics of the analyzed enterprise, the external conditions of the enterprise's activities.

The main assumption of John Argenti is that the process during which a company moves towards insolvency can take from 5 to 10 years. This period is divided into three segments under the names: "shortcomings" (difficulties that the company experiences long before the insolvency); "errors" (which lead to bankruptcy); "symptoms" (signs that appear during the last 2-3 years).

In the opinion of J. Argenti, the reason for the company's bankruptcy may be unqualified management, an inefficient accounting and reporting system, and the inability of the company to adapt to changing market conditions.

The study of the management crisis indicator, according to the method of J. Argenti, begins with the systematization of information about the studied enterprises and assumes that they are undergoing a process that leads to bankruptcy, the latter is conditionally divided into three interrelated stages:

1. Management shortcomings;
2. Errors that are the result of shortcomings;
3. Symptoms that are manifested by mistakes made by the company.

When calculating the A-account of a business entity, we assign either a certain number of points according to the Argenti model, or a zero value. Each factor of each stage is assigned a certain number of points, which corresponds to the actual position of the management of the enterprise, or, in the absence of data that give a real picture, we put the points that we ourselves assume.

After evaluating each factor with a certain number of points, as well as summing up the number of points for each section of the table, which corresponds to the corresponding stage of the bankruptcy process, we analyze the results obtained.
According to John Argenti’s method, a company that has more than 25 points can be considered a candidate for bankruptcy. The higher the score, the more likely the bankruptcy is and the closer the deadline for its occurrence.

It should be noted that at present, the anti-crisis management of a construction company, that is, the stability of its work, is determined by such main factors as the growing volume of sales of products, stable profitability, and financial stability. In most cases, the deterioration of the situation of enterprises is associated with an inefficient management system, uneconomical and non-technological production, weak consideration of market conditions of management in all aspects (market conditions, pricing, risks). [2]

The analysis of domestic practice shows that one of the significant reasons for the unsatisfactory state of construction is outdated technologies and the product range of construction industry enterprises. Therefore, in order to bring domestic construction enterprises to the modern level of development, it is important to develop directions for improving the efficiency of construction enterprises in the context of the crisis.

To solve the problems that have developed in construction, it is necessary to develop and implement new management methods, introduce innovative technologies, master modern types of building materials and structures, and state support for the innovative development of the construction complex.

List of sources used:

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