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ANALYZE OF METHODOLOGICAL APPROACHES OF DEFINITION OF NEED IN RESTRUCTURING AND CHOOSING ITS TYPE

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It was found that the definition of restructuring type is a necessary premise of development of an efficient action plan for business restructuring, because it provides information about the necessary pattern of change and the scope of work, which operates properly. Modern methodical approaches concerning with definition of need in business restructuring and the choice of its types were analysed. Meanwhile, scientists offer two key approaches for solving the problem: 1) calculation of the integral indicator; 2) definition of the scorecard and comparison of their meanings with standards. It was found that the disadvantage of the first approach is the complexity of the decision-making on the need of the business in restructuring and increased outcome quality dependence on employee competence, which evaluates the results, because it is necessary to evaluate significant quantity of the indicators. Variants of the approaches of the second group implementation include a calculation of only one indicator, which displays a general condition of the business and does not allow to define which scope of work requires restructuring, or block indicators which displays selected aspects of financial condition of the business and serve as a framework for the generalized indicators calculation, but however it does not solve the problem of the restructuring need detection and its type definition. Furthermore, a scientist's proposed methodical approaches concerning with solving an inspected in that article problem, in our opinion, have these disadvantages: unsubstantiated set of indicators; causal link between them is not taken into account; lack of the science – based normative meanings of the indicators based on industrial features of the businesses activity; a special feature of the life cycle of the business and definition of the needs of the restructuring specific types on each of them are not always considered; proposed models often have an abstract concept and it is also problematic to define an importance of the indicators which are included in the model; in most proposals for need determination in businesses restructuring and its type choice prevails a statistical approach, which complicates an informed managerial decisions-making.

АНАЛІЗ МЕТОДИЧНИХ ПІДХОДІВ ДО ВИЗНАЧЕННЯ ПОТРЕБИ В РЕСТРУКТУРИЗАЦІЇ І ВИБОРУ ЇЇ ВИДІВ

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підприємство, методичний підхід, реструктуризація, інтегральний показник, система показників, життєвий цикл.

Установлено, що визначення типу реструктуризації є необхідною передумовою розробки дієвого плану заходів структурної перебудови підприємства, оскільки забезпечує інформацією щодо необхідного характеру перетворень та сфер діяльності, які функціонують неналежним чином. Проаналізовано сучасні методичні підходи відносно визначення потреби в реструктуризації підприємств і вибору її видів. При цьому для вирішення завдання учені пропонують два основні підходи: 1) розрахунок інтегрального показника; 2) визначення системи показників і порівняння їх значення з нормативами. Установлено, що недоліком першого підходу є складність прийняття рішень стосовно потреби підприємства в реструктуризації та підвищена залежність якості висновку від компетентності фахівця, який оцінює отримані результати, оскільки необхідно оцінювати значну кількість показників. Варіанти реалізації

підходів другої групи передбачають розрахунок або одного показника, який відображає загальний стан підприємства і не дозволяє визначити, яка зі сфер діяльності потребує реструктуризації, або блокових показників, які відображають окремі аспекти фінансового стану підприємства і слугують базою для розрахунку узагальненого показника, що проте не вирішує завдання виявлення потреби в реструктуризації та визначення її типу. Крім того, пропоновані ученими методичні підходи щодо вирішення досліджуваної в статті проблеми, на нашу думку, мають такі недоліки: необгрунтований набір показників; не враховується причинно-наслідковий зв'язок між ними; відсутність науково обгрунтованих нормативних значень показників з урахуванням галузевих особливостей діяльності підприємств; не завжди враховуються особливості протікання життєвого циклу підприємств і визначення потреби окремих видів реструктуризації на кожному з них; пропоновані моделі часто мають абстрактний характер, а також проблематично встановити значущість показників, що включаються в модель; у більшості пропозицій відносно визначення потреби в реструктуризації підприємств і вибору її видів переважає статичний підхід, що ускладнює ухвалення обгрунтованих управлінських рішень.

Statement of the problem

In a volatile market environment, it is obvious that the most relevant and important task of any economic actor is the ability to maintain resilience, overcoming the influence of environment negative factors. In this regard, enterprises for survival in the competition and to keep resilience in the long term always have to change their economic activity taking into account modern requirements, that is, to do restructuring. That's why an effective policy of restructuring becomes the main tool of achieving a long-term competitive benefit on the market and supporting of the business strategic resilience.

The permanent environmental changes are the reason of the constant need for business transformation. Any economic actor in the course of its activity falls under the influence of the factor, as a change in demand for its goods and services. Market competitors can reduce the prices, extend the list, increase the quality of similar production, and it is necessary to respond adequately on the changes, that is, change the structure in accordance with the requirements of the market, that means to do restructuring.

Restructuring of the economic actor, as practice shows, is one of the main tools of the conflict resolutions between its system of management and the environmental condition, which changes dynamically. But it is necessary to admit, that restructuring in Ukraine is implemented is insufficiently effective, the reason of what is a minor time of using this method, the problems, which have left after privatization, not enough full understanding of economic, juridical and management essence of that category in the market economy.

Definition of the restructuring type is necessary precondition for effective action of business structure transformation plan development, because it informs about the necessary character of changes and the scope of work, which operates properly.

Analysis of recent studies and publications

Directly development of the theory and models of enterprise restructuring under market reformation of economy is concerned in works of O.I. Amoshi V.M. Getsya, V.M. Zabolotnogo, L.F. Kalnichenko, A. Mendrula, V.V. Kondratyeva, V.B. Krasnovo, I I. Mazur, O.G. Tarasenko, O.O. Tereshchenka and others. Solutions of such important restructuring questions as essence, types, forms, directions and implementation stages were found in that scholarly writings. At the same time a lot of the mentioned issues require clarification and further development. Particularly, it concerns the final goal of restructuring, classification of types and its conduct stages, main methodical approach to the definition of its efficiency.

Objectives of the article

The objective of the article is research of the methodical approach to definition businesses need in restructuring and definition its types, identification and analysis of its advantages and disadvantages, development of its practice recommendations for improvement of the mechanism for restructuring conduct in domestic enterprises.

The main material of the research

Modern economic reality makes enterprises managers to make decisions under uncertainty. In the conditions of financial and political instability commercial activity endangers different crisis situations, the result of this may be insolvency or bankruptcy. In global and domestic theory and practice one of the common tools of financial business recovery is restructuring. For its successful holding it is necessary to define needs in restructuring and depending on it its types.

Methodical approaches of needs in enterprises restructuring definition based on different criterions are shown at Fig. 1.

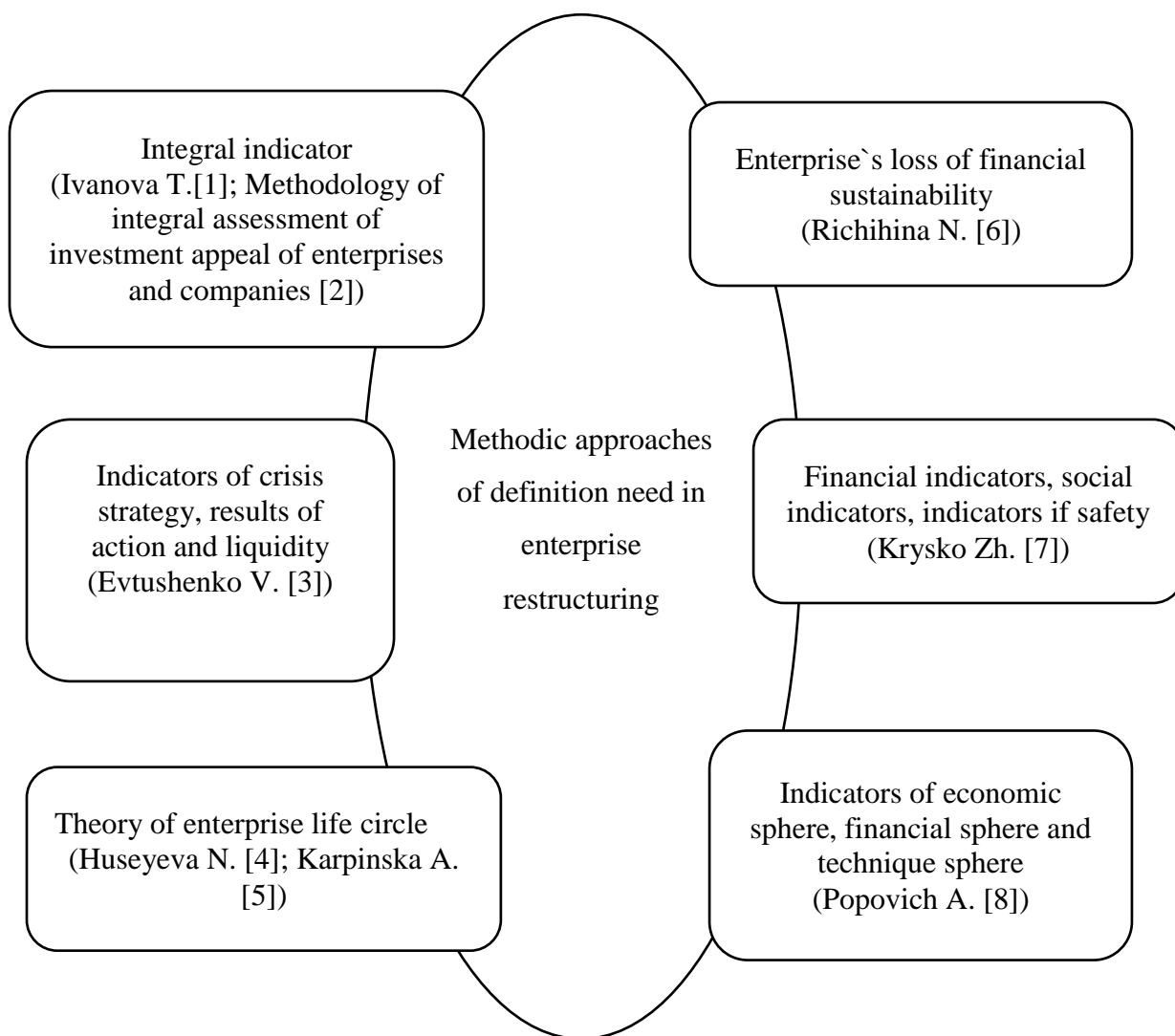


Fig. 1. Methodic approaches of needs in enterprises restructuring definition based on different criterions

Noteworthy that researchers offer different approaches of integral indicator calculation to define need in enterprise restructuring. Therefore, the proposed approach in the Methodology of integral assessment of investment appeal of enterprises and companies [2], as we think, is not able to fully satisfy requirements of assessment the enterprises action regarding definition necessity in conduction of restructuring and its type definition, because it includes calculation of the common indicator, which describes current condition as a whole and does not let to define which of the spheres of action need changes and what is the reason of that. In the interim, methodology considers data of the past year alone, which does not correspond to the task of assessment the enterprise condition with a view to the definition the need in restructuring. Meanwhile, the methodology does not contain indication of the interpretation of obtained results, which does not let to make conclusion not only about necessary type of restructuring, but also about need in structure changes in general.

A researcher T. V. Ivanova has offered to use R-indicator for definition the necessity of restructuring exercise implementation [1]. In doing so for building

correlational-regressive equation these indicators were used: ratio of profitability of production, ratio of profitability of equity, ratio of negotiability of equity, ratio of self-financing, ratio of absolute liquidity. The weight of these indicators of enterprise action was established.

A scientist offers to conduct calculation of R-indicator based on data of enterprise financial accountability for 5 previous years for the two phases. In the first stages the suggested indicators are calculated. In the next stage – the gained coefficient values are compared to minimal norms. Normative values of indicators are offered to calculate according to the Methodology of analysis financial-economic action of public sector enterprises, approved by the Ministry of Finance of Ukraine № 170 of 14.02.2006 and also according to the relevant taken values in the theory of economic analysis. If coefficients, which are calculated, take values compared to standards: lower, then it is ought to develop actions to carry out the restructuring; higher, then R-indicator is calculated according to the developed formula.

We consider, that to the proposed model by a scientist it is ought to point out the remarks:

- the set of financial indicators, included in the model is not well – grounded;
- a researcher prefers ratio of absolute liquidity and includes it to the model; However, researches show, that this indicator plays less important role compared to the ratio of total liquidity in detection of problems with formation enterprise financial condition [9];
- normative values of certain indicators are not reasonable enough, because they don't consider sectoral

- features of financial – economic action of businesses. That's why their using for analysis may lead to the wrong results, and, finally, to the making unreasonable management decisions;
- the suggested model has abstractive character. The results rating scale of value the R-indicator is quite questionable as evidenced by the results of calculation (Table 1).

Table 1 – A calculating of R-indicator value of a mechanical engineering companies using the models of T. V. Ivanova

Rate	Variants of indicators value		
	actual (in a crisis)	modest	very high (hypothetical)
Ratio of profitability of production	0,15	0,3	0,6
Ratio of profitability of equity	0,10	0,25	0,5
Ratio of negotiability of equity	0,8	1,3	3,0
Ratio of self – financing	0,3	0,5	0,8
Ratio of absolute liquidity	0,1	0,15	0,35
R- indicator	0,30	0,65	1,14

Source: calculated by the authors by [1]

Data of the Table 1 demonstrates that even such enterprises, which will have incredibly high indicators (practically elusive for a mechanical engineering enterprises), which a researcher has included in the model, according to the scale, developed by her, requires restructuring. For them R-indicator equals 1,14, which fulfils the other level of scale (0,85 – 2,0) according to it the enterprise has relatively stable position. R-indicator has values approximate to limit values, which point to the necessity of development the actions of restructuring for avoiding worsening of the situation at the enterprise.

So, the proposed model for restructuring implementation requirement definition has significant disadvantages and, in our opinion, it is inappropriate to use the model in enterprise practice.

A researcher V.E. Evtushenko offers a methodical approach to system of timely crisis warning formation. The author suggests a system of indicators using three groups of indicators: indicators of crisis strategy, performance and liquidity.

In doing so it is important to remember that there are close causal links between these types of crisis: strategic crisis causes crisis of profit, which, in turn, causes loss of liquidity in the enterprise [3].

Author offers to establish a specific limit value for indicators, which warn the crisis, depending on strategic goals of an enterprise. But he does not explain how to do it. The problem is also in there are no standard values for respective indicators for national economic sectors.

In the group of strategy crises indicator, according to the author, an indicator of market part is a core. Crisis indicators of first order warn of crisis probability and point to necessity of additional analysis. Crisis indicators of second order let to detect a crisis offensive and point out its reasons, which, in the view of scientist, let to form the reasonable program of restructuring.

Thereafter, he claims that indicators of financial condition have the most essential meaning, in particular – profitability of sell. Other objects of analysis (production, logistics, staff, management) help to explain particular actions and mechanism of restructuring.

Here, as we consider, it is ought to add some corrections. A famous foreign expert in the field of financial management Robert Higgins makes it a profitability of own capital to fundamental indicators for measuring economic action efficiency (ROE) [10], not a profitability of sell and net profit. That's why the factors of second order will differ from proposed by V.E. Evtushenko.

Depending on the goal V.E. Evtushenko offers three possible variants of enterprise restructuring and also relevant activities for its implementation:

1. Liquidity increase – restructuring of insolvent business (sale of property, drop in stocks, reduction of receivable, restructuring of credit debt, reduction of non- productive costs).
2. Improvement of performance – operating restructuring (costs reduction, sales increase, better quality of product, ending of unprofitable goods and services production).

3. Improvement of competitiveness – strategy restructuring (changes in organizational strategy, transformation of organizational and legal forms, changes in system of management, optimization of business processes, staff development).

Researches demonstrate that theory of the enterprises life cycle is an effective tool for possible crisis situations diagnosis [4-6], which lets to compare possible changes of any system with particular stages of its development.

The basic stages of enterprises life cycle diagnosis, as noted by N.V. Guseva, are:

Stage 1. Collection and processing of information.

Stage 2. Indicators choice and definition of dynamics of their level in phases of life cycle. The indicators matrix of life cycle stages diagnosis is forming by using the analysis of characteristic features of each stage.

Stage 3. Development trends determination and development of life cycle development stages definition.

Stage 4. Stocktaking about conformity of enterprise condition to the one or the other life cycle stage with deviations determination.

It would be worth to add some amendments to the proposed method by Huseyeva N. V.:

- it had not been proposed, which actions must be used when it needed in enterprise restructuring in one or the other life cycle stage;
- an author's suggestion to sum up depending on actual and normative indicators is unfounded;
- methodical approach rather has theoretical relevance.

A method of needs in restructuring definition is offered in tractate [6] and includes five units, namely:

1. Financial indicators:

- coefficients of strategical resilience loss (coefficients of current profitability of net assets, value of enterprise);
- coefficients of financial resilience loss (coefficients of current liquidity, coefficients of own current assets provision).

2. Social indicators: conflicts between owners; owner's interests changes and others.

3. Indicators of security: threat of absorption by enemy.

The second block includes variants of resilience indicators changes trend in comparison with normative levels.

The third block contains information about does enterprise need restructuring or it does not.

In the fourth block there are reasons, which serve as basis for restructuring implementation.

In the fifth block there are recommendations about restructuring type choice.

We consider that proposed methodical approach to definition businesses need in restructuring has such disadvantages:

- 1) an author's claim that there are no needs in restructuring at life cycle stages of creation, establishment and growth, is not correct. Therefore,

famous specialist in the sector of business management according to life cycle I. Adizes mentioned that enterprises at the stages of creation, establishment and growth may have problems and even become a bankrupt [11];

2) under the lack of full stock market, it is impossible to define a market value of an enterprise;

3) coefficient of current liquidity does not belong to indicator of financial resilience;

4) science – based normative values of proposed indicators are lacked.

A researcher Zh. Krysko suggests to use a rating indicator of financial resilience for financial resilience of building enterprises estimation, which allows to estimate a minimum necessary level of their resilience.

For estimation of financial condition of an enterprise, a scientist allocates the following coefficients with recommended normative values: absolute and current liquidity, autonomy, own current assets provision, fast liquidity, funding, flexibility of own capital, negotiability of assets, profitability of own assets.

An estimation of minimum necessary level of financial resilience is proposed to calculate using equation of rating indicator of strategical resilience.

In full accordance of financial coefficients values with normative level of value of rating resilience indicator will equal 1. If it is less than one, then condition of financial resilience of enterprise, as author says, should be considered as unsatisfactory. Depending on values of financial and strategical resilience of enterprise the decision about need in restructuring.

Suggested methodical approach for enterprise diagnosis has such disadvantages:

- a profitability of assets is classified under the financial indicators which forms strategical resilience, as scientist considers. As noted above, foreign scientists categorize a profitability of own capital [10] as fundamental indicator of financial activity efficiency measurement;

- a procedure of choice of indicators for calculation of level of enterprise financial condition is not reasonable;

- science-based normative values of financial coefficients, which are suggested for rating indicator of financial resilience calculation, do not exist in Ukraine;

- a value of particles of coefficients of availability with own working capital (0,02), flexibility of own capital (0,02), profitability of own capital (0,03) in calculation of rating indicator of financial resilience of construction company remains in doubt [9].

A science and practical interest in definition of need in restructuring and restructuring type is researching by A.V. Popovich [8].

A scientist offers the next algorithm of definition of need in restructuring and its type:

1. A calculation of indicators (in financial, economic and technical spheres).
2. A definition of expert normative values of indicators.

3. A definition of normative weight of indicators.
4. A definition of weight of indicators of need in restructuring definition.
5. A definition of remedial indicators.
6. A definition of integral indicators by areas of activity.
7. A definition of integrated actual and normative integral indicators.
8. A definition of average slider.
9. A definition of need in restructuring and its type.

A scientist has chosen next indicators as core: for economic sphere – a profitability of assets, for financial – a coefficient of solvency, for technical – residual value of fixed capital.

In order to avoid excessive influence of coefficients on integral indicator actual values are limited in range -5 to +5 of their normative values. Permitted magnitude of actual values of indicators from the norm let to define substantive imbalance in property structure, source of funding, performance, which is a premise of implementation of restructuring.

To integrate a dynamic of coefficients an average integral coefficient of five years was calculated, which, according to the author, let to avoid spurious signals about enterprise need in restructuring with regard to activity specificity, temporary changes in market situation etc.

Because moderate level of variation coefficient of relative deviation measurement of indicators evaluation equals 0,2, so excess of value of consolidated normative integral indicator of enterprise over the average value of actual normative integral indicator of five years more than 20 % attests to need in restructuring. Excess of normative integral indicator by areas of activity of last five years over more the actual indicator than 20% attests to need in restructuring of this type provided that need in restructuring was previously defined, and the extent of deviation attests to radicalism of actions. Meanwhile, the excess more than 50% (which complies significant variation), points to need in radical changes.

The author developed a matrix of enterprise restructuring strategy variants choice based on many combinations of predictive industry condition and current enterprise condition by allocating rehabilitation, adaptation and outstripping types.

In general, we positively assess the analysed methodical approach to forecasting the need of enterprise in restructuring, but we think that it is necessary to point out some disadvantages:

- a presence of multiple assumptions, significant subjectivity and complexity of the method, which call into question its practical use, are essential disadvantages;

- the author does not explain economic essence of coefficient of assesses flexibility with a negative value, and also why does a coefficient of current liquidity during the same period fewer than coefficient of instant liquidity, or why do these indicators have negative sign, because it is not feasible option in practice;
- it is unfounded why were chosen offered indicators, which characterize efficiency of enterprise sphere of activity (economical, financial, technical), and why it is pointed out only 4 key-segments, which show condition of certain aspects of activity and are characterized by relevant coefficients or groups of coefficients;
- it is unfounded why in formation of matrix “outlook condition of industry – current condition of industry” (bad, unsatisfactory, satisfactory, good, perfect) are taken different values of intervals of integral indicators.

Thus, scientists offer different methodical approaches of definition of financial and economic activity of enterprises in order to define need in restructuring implementation, which often, as we think, are not enough founded and have disadvantages.

Conclusions

Analysis of scientific literature and legislation regarding the definition of enterprise need in restructuring has demonstrated that there are two main approaches to solve the problem:

- 1) definition the system of indicators and their comparison with normative values;
- 2) integral indicator calculation, which is made up of a number of indicators and extra parameters, in particular a limit marginal values, coefficients of importance etc.

A disadvantage of the first approach is complexity of making a decision about enterprise need in restructuring and increased dependence of decision quality on specialist`s competence, which assesses results, because it is necessary to assess a significant quantity of indicator. Variants of implementation of the second group of indicators includes a calculating either or one indicator (which displays general enterprise condition and doesn't allow to define which sphere needs restructuring), or block indicators (which display particular aspects of financial condition of enterprise and serve as a basis for generalized indicator calculating), but it doesn't solve the problem of definition need in enterprise restructuring and its type.

Using the method of integral calculation let to avoid a number of disadvantages, which the first method has.

The study on the issue should be continued according to dynamical approach taking into account the industry features of an enterprise.

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