

IMPLEMENTATION OF VALUE BASED MANAGEMENT IN SMALL FAMILY RETAIL BUSINESS

*Nazarenko I.L., PhD (economics), associate professor,
Sukhorukova D.O., master's student (USURT)*

The issue of implementation of Value Based Management in Small Family Retail Business has been investigated in the study and its feasibility has been proved. Despite the absence of statistical record about family business in Ukraine, we assumed that majority of medium-size, small and (as a part of small ones) microenterprises were family-owned (especially those which are registered as individual entrepreneurs). The tendency revealed by the authors (on the base of analysis of statistical data on those types of business) indirectly proves the increasing role of family business in Ukraine, regardless of insufficient attention paid to it by the government and local authorities and even absence of such a term in Ukrainian law.

Firstly, special characteristics of family business and its difference from ordinary businesses have been clarified. The main principles of family business are: strength in unity, ability to handle conflicts, fairness, social engagement, strong values, pride and mutual support. Hence, taking into account that the biggest obstacle of VBM implementation is transformation of the way of thinking into the value-oriented one with perception of business as your own (by every manager and employee), we are convinced that it would be much easier to implement value philosophy (and VBM as a whole concept) in family business. Besides, the aim of maximization of the long-term value instead of current revenue is fully consistent with the objective of bequeathing effective business to the heirs.

Secondly, the stages of implementing VBM in Small Family Retail Business have been identified. They are: Task set, Assessment set, Clarification set, Culture set, Planning set, Analysis set, Result set. Furthermore, the value chain for Small Family Retail Business has been built in the study. It includes Manufacturers and suppliers, Logistics (delivery, storage), Shops (management, sales areas, equipment), Customers service.

Finally, the Value Drivers Tree for Small Family Retail Business has been developed, taking account of specificity of the type of business being examined. The three key value drivers are: Spread (between ROIC and Cost of Capital), Sustainability and Growth. Spread creates value, Growth accelerates value and Sustainability makes it possible to prolong existing of a firm on the fast-changing market.

The results obtained in the study can be used in further research in this realm.

Keywords: *Value Based Management, Family Business, Small Family Retail Business, value chain, value drivers.*

ВПРОВАДЖЕННЯ ВАРТІСНО-ОРІЄНТОВАНОГО УПРАВЛІННЯ У МАЛОМУ СІМЕЙНОМУ БІЗНЕСІ РОЗДРІБНОЇ ТОРГІВЛІ

*Назаренко І.Л., к.е.н., доцент,
Сухорукова Д.О., студентка магістратури (УкрДУЗТ)*

У статті досліджено питання впровадження вартісно-орієнтованого менеджменту у малому сімейному роздрібному бізнесі та доведено його доцільність. Незважаючи на відсутність статистичних даних про сімейний бізнес в Україні, ми припустили, що більшість середніх, малих та (як частина малих) мікропідприємств є сімейними (особливо ті, які зареєстровані як індивідуальні підприємці). Тенденція, виявлена авторами (на основі аналізу статистичних даних про ці види бізнесу), побічно

доводить зростаючу роль сімейного бізнесу в Україні, незважаючи на недостатню увагу, яку приділяють йому уряд та місцева влада, і навіть відсутність такого терміну в українському праві.

По-перше, були з'ясовані особливі характеристики сімейного бізнесу та його відмінність від звичайного бізнесу. Основними принципами сімейного бізнесу є: сила в єдності, здатність вирішувати конфлікти, справедливість, соціальна приналежність, міцні цінності, гордість та взаємодопомога. Отже, беручи до уваги, що найбільшою перешкодою впровадження вартісно-орієнтованого менеджменту є перетворення способу мислення у орієнтований на вартість із сприйняттям бізнесу як свого (кожним керівником та працівником), ми переконані, що це набагато простіше впровадити саме у сімейному бізнесі. Крім того, метою максимізації є не поточний дохід, а довгострокова вартість, що повністю відповідає цілі передати ефективний бізнес спадкоємцям.

По-друге, визначено етапи впровадження вартісно-орієнтованого менеджменту у малий сімейний роздрібний бізнес. Це: етап завдань, етап вибору виду вартості та методики оцінювання, етап уточнення (побудування ланцюгу вартості та дерева драйверів вартості), етап формування вартісної культури та тренінгів, етап планування, етап аналізу внеску всіх підрозділів у формування вартості, етап оформлення результатів. Крім того, в цьому дослідженні було побудовано ланцюжок вартості малого сімейного роздрібно-бізнесу. Сюди входять виробники та постачальники, логістика (доставка, зберігання), магазини (управління, торгові площі, обладнання), обслуговування клієнтів.

Також було розроблено дерево драйверів вартості для малого сімейного роздрібно-бізнесу з урахуванням його специфіки. Три основні фактори - це Spread (різниця між ROIC та витратами на капітал), Стійкість та Зростання. Spread створює вартість, зростання прискорює підвищення вартості, а стійкість дає можливість продовжити існування фірми на ринку, що швидко змінюється.

Отримані результати дослідження можуть бути використані в подальших дослідженнях у цій царині.

Ключові слова: управління на основі вартості, сімейний бізнес, малий сімейний роздрібний бізнес, ланцюжок вартості, драйвери цінності.

ВНЕДРЕНИЕ СТОИМОСТНО-ОРИЕНТИРОВАННОГО УПРАВЛЕНИЯ В МАЛОМ СЕМЕЙНОМ БИЗНЕСЕ РОЗНИЧНОЙ ТОРГОВЛИ

**Назаренко И.Л., к.э.н., доцент,
Сухорукова Д.А., студентка магистратуры (УкрГУЖТ)**

В статье обоснована целесообразность внедрения стоимостно-ориентированного управления в малом семейном бизнесе, в том числе бизнесе розничной торговли.

Исследованы специфические черты семейного бизнеса и состояние развития семейного бизнеса в Украине.

Определены этапы внедрения стоимостно-ориентированного управления в малом семейном розничном бизнесе. Кроме того, построена цепочка создания ценности для малого семейного розничного бизнеса. Она включает в себя

производителей и поставщиков, логистику (доставка, хранение), магазины (управление, торговые площади, оборудование), обслуживание клиентов. Также разработано дерево драйверов стоимости для малого семейного розничного бизнеса с учетом его специфики.

Ключевые слова: *управление на основе стоимости, семейный бизнес, малый семейный розничный бизнес, цепочка создания стоимости, драйверы стоимости.*

Introduction. Family business is known to be one of the foundations of the world's business community. Such famous companies as Walmart, Facebook, Volkswagen, BMW, Fiat Group, Hyundai Motor, Toyota Group, Nike, Samsung Group, LG Group, Motorola, Oracle, IKEA, L'OREAL, Ferrero Rocher and many others are flourishing family businesses which (with small and medium-sized family firms) create the bulk of Gross Domestic Product (GDP), play a key role in the economic growth and job creation in many countries.

Unfortunately, there is no accurate statistical data about family business in Ukraine, but we assume that majority of medium-size, small and (as a part of small ones) microenterprises are family-owned (especially those which are registered as individual entrepreneurs). According to State Statistics Service of Ukraine, in 2018 their shares in Volume of products (goods, services) sold were 39,8%, 25,1% and 13,0% respectively. As for individual entrepreneurs, their relative weights increased over 2010 – 2018 years this way: in the structure of Volume of products (goods, services) sold by medium-size enterprises their share raised from 1,4% to 7,6%; by small enterprises - from 27,1% to 29,3 %; by microenterprises - from 51,1% to 53,6 % (calculated according to the data [1]). This tendency indirectly proves the increasing role of family business in Ukraine, regardless of insufficient attention paid to it by the government and local authorities.

We also should add to the point that, for the time being, there is no definition either of the term «family business» or «family entrepreneurship» in Ukrainian law; the keyword search on The Verkhovna Rada of Ukraine site has given only one result with antiquated document. Therefore, having

analysed several definitions from scientific publications, we arrived at the conclusion that the one by I. Kulyniak and O. Koshyk can be accounted as the most correct: «Family business is a business which belongs to the members of one family (totally or mainly) and is bequeathed to the next generations by right of heredity» [2, p. 392].

Nevertheless, The Family Business Network (FBN) exists in Ukraine and its motto is «We increase the number of happy and successful families» [3]. FBN Ukraine is a part of the global FBN International. According to their data, the percentage of Family Business contribution to National GDP is nearly 45% in Belgium, 49% in the Netherlands, 50% in Finland, Brazil and Portugal, 57% in Germany, 63% in the United States, 68-70% in Argentina, 70% in Singapore, Uruguay and Costa Rica, 94% in Italy [4].

As for Ukraine, according to V. Burda, the president of FBN Ukraine [5], the entire retail, from grocery to household appliances, as well as the construction business (the two largest burgeoning sectors that create jobs) is nothing else than the family business.

A family business needs to be developed in Ukraine for a number of reasons.

1. It gives predictability to a country. In terms of the world, family-owned companies account for more than 80% of all enterprises in countries with free economy and bring 70–90% of the world GDP. They can be called the basis of the economy.

2. Family-owned companies play in the long run. Unlike public or state-owned companies, the aim of family ones is to develop and grow for the next generation.

3. Family business - it is about efficiency. There are about 14 million family-owned companies in EU, 50% of which

indicated a steady increase in sales over the past 10 years.

4. Family business pays salaries for 60% of the working population on the planet. Another reason why Ukraine needs family business is the fact that it increases the level of employment in the country.

5. Family-owned companies are influential and develop their countries of presence. This is benefit to the citizens [5].

However, about 90% of such companies do not survive after moving into third generation ownership. The reason is the lack of training of the younger generations for the demands of the growing business [6].

Taking into account all the aforementioned, we can state that there is a high necessity of support of family business development in Ukraine. In our view, implementation of Value Based Management as a contemporary management concept would be very effective in this case, especially in small family enterprises (including retail firms), whose owners can embrace value philosophy and share it with their small staff without any conflicts. Besides, the aim of maximization of the long-term value instead of current revenue is fully consistent with the objective of bequeathing effective business to the heirs.

Analysis of recent researches. As the role of family business in the world has increased during the recent decade, the number of publications devoted to family business has grown too. The issue of developing small business in Ukraine is discussed in the works of O. Dykan, O. Poliakova, H. Obruch, A. Tolstova and others [7 – 10].

Value Based Management (VBM) has been widely discussed in the economic literature. Among them there are a few publications about implementation of Value Based Management in family business [11 - 14]. For instance, A. Lewandowska and M. Sajdak studied the consequences of VBM for developing an organisational agility potential of a family business [11]. The Mini-dissertation by R. Mafirowanda is devoted to measuring the understanding of VBM in small businesses in Gauteng, South Africa [12]. The determinants of

VBM use and its performance measures in family firms are explored in the study by C. Brück, J. Ludwig and A. Schwering [13], and the fact that VBM can help family firms to improve decision-making quality by enabling consistent and goal-congruent decision support and performance measurement is proved. In the study by F. Krol [14] the analysis of internal and external impulses and possibilities of implementation Value Based Management in Small and Medium Enterprises is done.

Unexplored aspects of the issue. But until now, there has not been enough attention paid to implementation of VBM concept in Small Family Retail Business in the literature, clarifying stages of implementing and value drivers in this case.

The purpose of the study is identifying particular stages of the implementation of VBM concept in Small Family Retail Business, building the value chain and the Value Drivers Tree for Small Family Retail Business.

Main body of the study. Starting in the late 1980s and early 1990s, the discussion about the shareholder value as a corporate goal led to the evolution of Value Based Management. The concept of VBM has been widely discussed since then and found a large acceptance and adoption among large and listed companies.

Although there is an ongoing polemic regarding the sense of VBM, we consider the next definition to be the most appropriate: «Value Based Management is a management approach which puts shareholder value creation at the centre of the company philosophy. The maximization of shareholder value directs company strategy, structure and processes, it governs executive remuneration and dictates what measures are used to monitor performance» (KPMG Consulting, 1999) (quoted in [15, p.7]).

The object of this study is given in the fig.1 and lays at the intersection of the three spheres – Family Business with its specificity, Retail Business and VBM. Therefore, the special features of the Family Business and Retail Business have to be outlined in order to identify particular stages of implementing VBM concept in small family retail business.

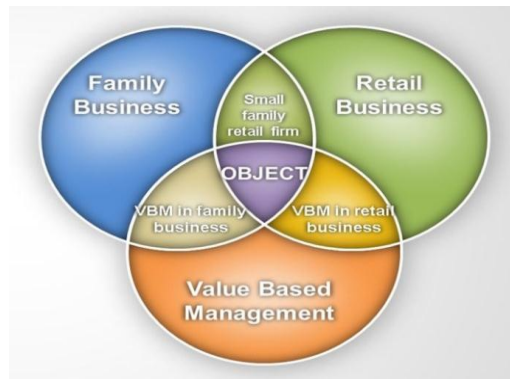


Fig.1 The object of the research - VBM in Small Family Retail Business (developed by the authors)

The specific features of the family business has been outlined in the studies in particular in [16] by Denise Kenyon-Rouvinez, Professor of Family Business and Director of the IMD Global Family Business Center and in [17] by L. Ceja and J. Tàpies. The main principles of family business according to [16] are: Strength in unity, Ability to handle conflicts, Fairness, Social engagement, Strong values, Pride and Mutual support.

Top Five Values Unique to Family-Owned Firms (not mentioned by non-family-owned firms), according to the survey made in study [17] are: Generosity, Humility, Communication, Service, Quality. In sum, these values concern positive traits that contribute to the fulfillment of the organization's members; therefore, they appear as fundamental and more people-oriented. However, it must be noted that although values Pride and Humility are opposite, they could exist together.

Hence, taking into account that the biggest obstacle of VBM implementation is transformation of the way of thinking into the value-oriented one with perception of business as your own (by every manager and employee), we are convinced that it would be much easier to implement value philosophy

(and VBM as a whole concept) in family business.

The main characteristics of the retail business are set out below.

1. In the entire distribution chain, a retailer is considered to be the final link, who deals directly with the customer.

2. A retailer purchases in bulk from wholesalers and sells the products to customers in small quantities.

3. A retailer essentially maintains a variety of merchandise.

4. The aim of a retailer is to achieve maximum satisfaction by exceeding their expectations and delivering exceptional services [18].

Based on the aforementioned statements and features, the next stages of implementing VBM in Small Family Retail Business have been identified and given in the fig.2. The Assessment Set includes choosing an appropriate cost indicator (from EVA, MVA, SVA, CVA, CFROI) based on considerations of efficiency, benefits and costs associated with obtaining the information necessary for its calculation. The Clarification Set is likely to be the most important stage in the whole process of implementation. If any mistake is made in building Value chain or Value Drivers Tree, it will make it impossible to successfully implement VBM and maximize value.

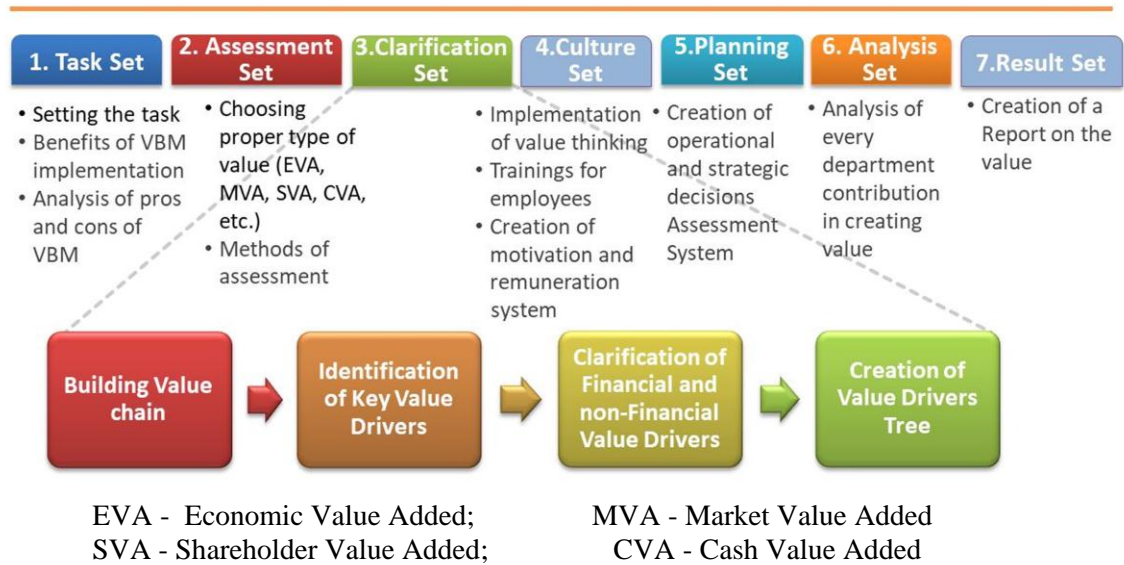


Fig.2 The stages of VBM implementation in Small Family Retail Business (developed by the authors)

The Value chain of Small Family Retail Business is given in the fig.3.

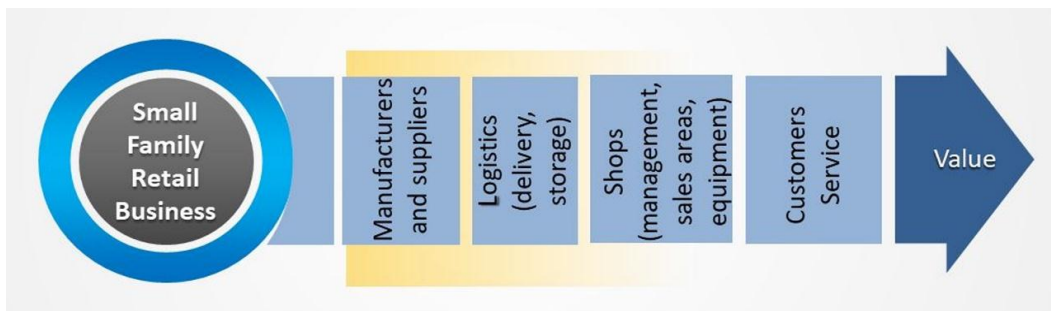


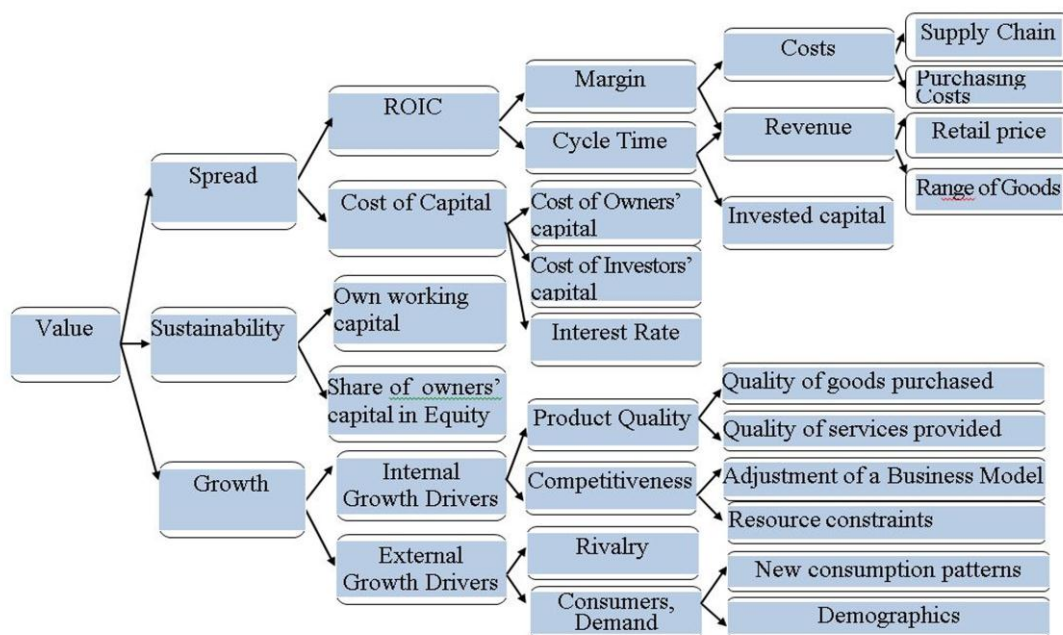
Fig.3 Value chain of Small Family Retail Business (developed by the authors)

Identifying and monitoring the key drivers of any business is essential for generating profits and keeping it sustainable. That is why it is critical to discover what they are, if they are measurable and if they can be acted upon.

Value drivers are the factors that are likely to have the greatest impact on a company's success, and they are specific to different industries and companies. The range of value drivers varies enormously from business to business. They can be financial and non-financial, both types are remarkably

important. The Value Drivers Tree of Small Family Retail Business is shown in the Fig.4 below.

The three key value drivers are: Spread (between ROIC and Cost of Capital), Sustainability and Growth. Spread creates value, Growth accelerates value and Sustainability makes it possible to prolong existence of a firm on the fast-changing market, to compete and win in rivalry. ROIC depends on the Margin (measured by subtracting costs from revenue) and Cycle Time (time of one capital turnover).



ROIC - Return on Invested Capital

Cycle time – time of capital turnover

Fig.4 The Value Drivers Tree of Small Family Retail Business
(developed by the authors)

Conclusions and prospects for the further research.

The issue of implementation of Value Based Management in Small Family Retail Business has been investigated in the study and its feasibility has been proved.

Firstly, special characteristics of a family business and its difference from the ordinary businesses have been clarified. Secondly, the stages of implementing VBM in Small Family Retail Business have been identified. They are: Task set, Assessment set, Clarification set, Culture set, Planning set, Analysis set, Result set. Furthermore, the Value chain for Small Family Retail Business has been built in the study. It includes Manufacturers and suppliers, Logistics (delivery, storage), Shops (management, sales areas, equipment), Customers service.

Finally, the Value Drivers Tree for Small Family Retail Business has been developed. The three key value drivers are: Spread, Sustainability and Growth.

The results obtained in the study can be used in further research in this realm, in further clarification of value drivers for a particular small family retail firm, choosing proper value metric and

assessment of the value and contribution of every retail shop of a firm.

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УДК 339.137.2.(477)

ЧИННИКИ ЗАБЕЗПЕЧЕННЯ МІЖНАРОДНОЇ КОНКУРЕНТОСПРОМОЖНОСТІ УКРАЇНСЬКИХ ПІДПРИЄМСТВ МАЛОГО І СЕРЕДНЬОГО БІЗНЕСУ

Соломніков І.В., к.е.н., ст.викладач (УкрДУЗТ)

У даній статті описуються ключові аспекти підвищення міжнародної конкурентоспроможності підприємств малого і середнього бізнесу в Україні. Основні шляхи вирішення згруповані в шість ключових груп: структурна, ресурсна, технічна, управлінська, ринкова і функціональна. Також окремо розглянуто підвищення конкурентоспроможності за допомогою договорів субпідряду - взаємодія малих і середніх підприємств з корпораціями.

Ключові слова: малий бізнес, мале підприємництво, середній бізнес, підприємство, регіональний рівень, сектор економіки.

ФАКТОРЫ ОБЕСПЕЧЕНИЯ МЕЖДУНАРОДНОЙ КОНКУРЕНТОСПОСОБНОСТИ УКРАИНСКИХ ПРЕДПРИЯТИЙ МАЛОГО И СРЕДНЕГО БИЗНЕСА

Соломников И.В., к.э.н., ст.преподаватель (УкрГУЖТ)

В данной статье описываются ключевые аспекты повышения международной конкурентоспособности предприятий малого и среднего бизнеса в Украине. Основные пути решения сгруппированы в шесть ключевых групп: структурная, ресурсная, техническая, управленческая, рыночная и функциональная. Также отдельно рассмотрены повышение конкурентоспособности посредством договоров субподряда - взаимодействие малых и средних предприятий с корпорациями.

Ключевые слова: малый бизнес, малое предпринимательство, средний бизнес, предприятие, региональный уровень, сектор экономики.

FACTORS OF PROVIDING INTERNATIONAL COMPETITIVENESS OF UKRAINIAN SMALL AND MEDIUM-SIZED BUSINESSES

Solomnikov I., Ph.D., Senior Lecturer (USURT)

Improving the competitiveness of small and medium-sized enterprises, as an opportunity to realize the country's competitive advantages in foreign markets, has always been one of the strategic tasks of any state. However, without solving a certain number of problems, it is simply impossible. Ukraine occupies a significant place in the global economy in terms of its resource potential and human resources. Unfortunately, the standard of living of the population, which is determined by the unstable political situation and economic stagnation, does not reach the level at which it should have been, given the resources that our country has. Therefore, the consideration of such an urgent