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Model of Enterprises Restructuring

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Abstract. The article, basing on scientific materials, analyses the scientific approaches to modeling the process of enterprise restructuring. Basing on that analysis, the model of enterprise restructuring is improved and the components of this model are examined in detail.

Keywords: restructuring of enterprises; model of restructuring; diagnostics of enterprise; program of restructuring.

Introduction. Successful corporate restructuring requires integrated understanding of this process from its leadership by understanding of implementation sequence, content and objectives of the main stages. Theoretical and practical studies of number of scholars in the area of creation and visual mapping of algorithms, models and schemes of corporate restructuring are focused on resolution of this problem. These studies enable company managers to ensure consistency and continuity of the restructuring process, to assess timing of its implementation, get an idea about specialists which shall be used in restructuring process as well.

Materials and Methods. Given the importance of complex modeling of corporate restructuring process in order to resolve practical problems, let`s consider existing achievements of scientists in this area. Comprehensive content of the restructuring process through its schematic simulation is highlighted in works of following authors such as L. Bilih, L. Hryniv, D. Kovalenko, K. Lemish, S. Sinitsa and etc.

According to D.I. Kovalenko [1] algorithm of the restructuring management technology includes five stages: 1) diagnostics of the company, 2) determination of goals and strategic concept, 3) selection of restructuring methods, 4) elaboration of restructuring project (program), 5) coordination of structural restructuring parameters.

As you can see, the author rightly stressed that restructuring process should be considered as management technology. However, the proposed stages of restructuring process contain incomplete list of management functions. Thus, management technology or administrative technology is defined as consistent flow of general management functions (planning, organization motivation, control, regulation), which results in implementation of specific management functions [2]. Provided restructuring algorithm present only one particular function of management such as planning of restructuring process (stages 1-4) and unifying function of management – administration in form of implementation of administrative lever such as coordination (step 5).

In work of L. P. Bilih [3] the scheme of corporate restructuring is presented as sequence of implementation of the following stages: 1) diagnostics; 2) development of strategy and project of restructuring; 3) coordination of the main direction of restructuring; 4) restructuring process; 5) analysis of restructuring effectiveness. This approach likewise the previous one, does not sufficiently enough reveals the content of restructuring as a management technology. It would be reasonable to uncover informative completeness of restructuring process (stage 4). Besides, such stage of the scheme proposed by author as «analysis of restructuring effectiveness» is complete, that is why its results related to performed restructuring shall have only informative character, without providing possibility for implementation of regulatory measures.

Considerable attention to modeling of the restructuring process is given in researches of S. Sinitsa and K. Griniv [4]. Authors present a model of implementation of the corporate restructuring process through implementation of such stages: 1) preliminary formulation of strategic target, concept and corporate mission; 2) evaluation of external competitive environments; 3) complex diagnostics of the company; 4) analysis of "problem area" and selection of key problems; 5) determination of ways of the problem resolution; 6) selection of top priority business activity; 7) forecast, analysis and evaluation of restructuring methods (variants); 8) elaboration of a business plan for restructuring; 9) evaluation of resources; 10) selection of urgent projects; 11) resource allocation; 12) project team building; 13) development and protection of urgent projects; 14) selection and fixation of strategy and restructuring program. As we can see, in resulted restructuring sequence the main attention is focused on planning of this process as even the last stage concerns specification of strategy and formation of the future restructuring program. However the model also considers necessity of restructuring management (stage 12). It is also necessary to emphasize incorrectness of integration of stage 1 into restructuring model as any company should perform this activity in accordance with formulated missions, purposes and strategy, and in case when corporate restructuring is necessary these shall be considered, adjusted, but not be formulated for the first time. Besides, the sequence of implementation of separate stages requires specification. Thus, during the analysis and estimation of restructuring variants (stage 7) and during elaboration of the business plan of restructuring (stage 8) available resources (its evaluation is provided in stage 9) should be considered.

Research objective is development of corporate restructuring process model taking into account limitation of existing theoretical studies of scientists in this area.

Discussion. Considering and excluding the above-mentioned limitation of existing operating practice, the corporate restructuring process shall be considered as visually represented on fig. 1.

The main differences of improved model from the existing operating practices of scientists in this area consist in the following:

- Restructuring process of the mining-metallurgical enterprises is presented as administrative technology taking into account necessity of its implementation through management functions, namely: planning, organization, motivation, monitoring and regulation;
- Considered necessity of sequenced-flow monitoring of changes in internal and external environments of the company in contrast to detection of only consequences of such changes during company diagnostics;
- Specified place of restructuring efficiency determination process with purpose of increasing practical significance of its results.

As can be seen on fig. 2, change of corporate operating indexes revealed during its diagnostics, occurs under influence of change in company's operating environment, namely: factors of its external and internal environments. Thus there is a certain time lag between changes which have taken place in corporate environment and visualization of consequences of these changes on its operating indicators and duration of such lag is determined by character of changes which have taken place in operating corporate environment. In the conditions of severe competition it is reasonable to use such temporal lag for implementation of measures, in particular of restructuring character which would promote avoidance or indulgence of negative influence of changes in the environment on performance indexes of the company. This requires careful monitoring of changes in corporate environment and determination of cause effect relationships between such changes and operating indexes of the company.

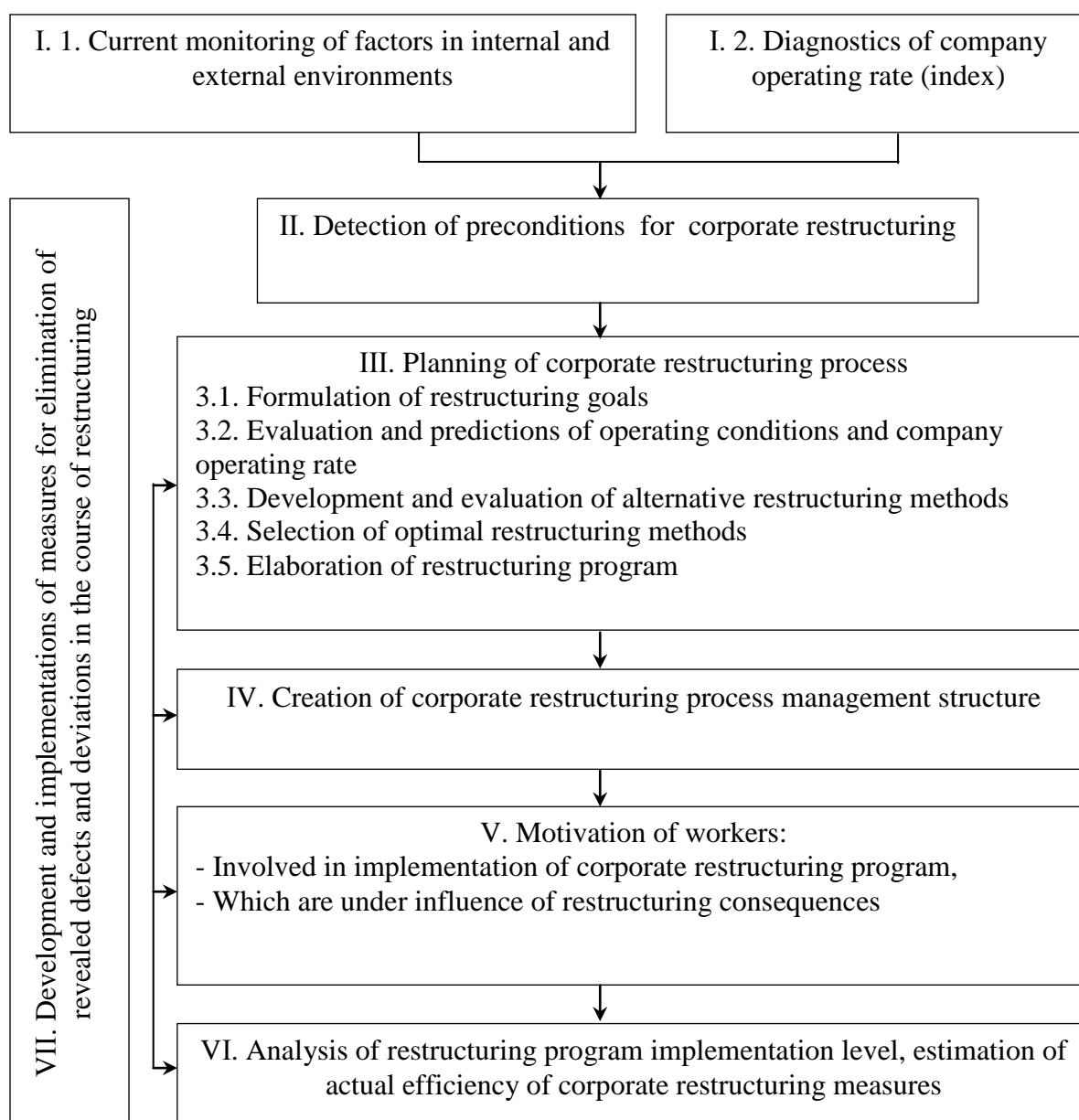


Fig. 1. Model of restructuring process [4-7]

Let's consider components of the corporate restructuring process in details.

Stage 1. Current monitoring of the company operating environment and diagnostics of company operating rate. Despite of many-sided nature of approaches of scientists in modeling of corporate restructuring process, a overwhelming majority of them unanimous in that the first stage of such process should be determination and detection of necessity of restructuring measures. Usually, methods of such detection are reduced to company diagnostics. Its content is presented in works of S. Sinitsa and L. Griniv [4]. Among other components of complex diagnostics of the company authors emphasize situation-dependent, organizational-administrative, financial and economic, production-economic analyses, analysis of staff potential and also an estimation of the business market value.

At the same time, detection of preconditions for restructuring based only on results of diagnostics of the company is somewhat of limited character.

At first, experience of the company's activity speaks that not only explicit negative tendencies at the company can in due course lead to bankruptcy.

Secondly, economically reasonable methods are those that are focused on prevention of negative influence of different factors on the company, than correction of consequences of such

influence. Let`s consider sources of deterioration of the company operating indexes by means of scheme on fig. 2.

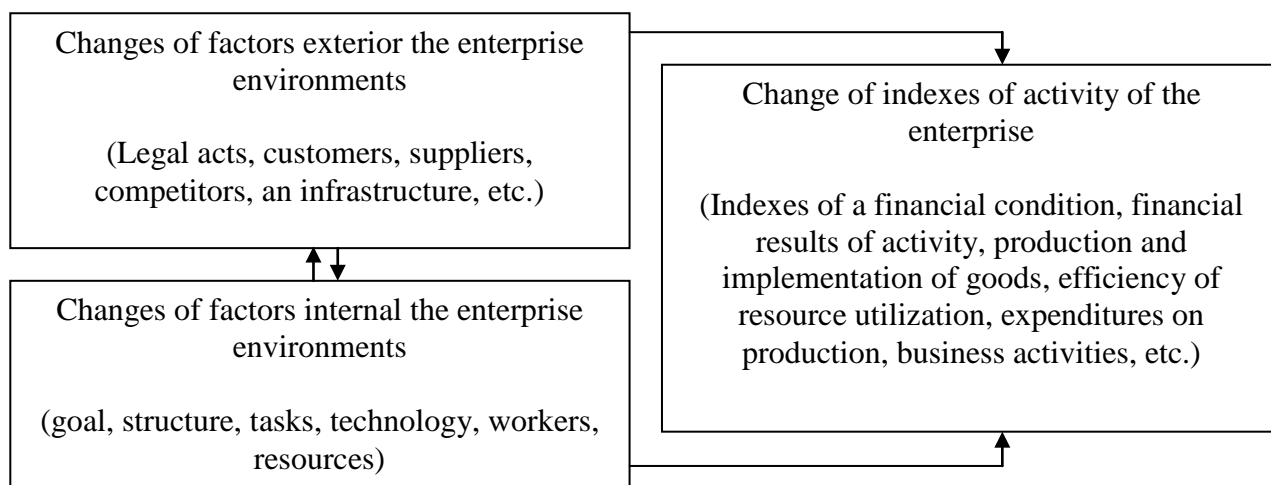


Fig. 2. Influence of change of factors in corporate environment on its operating indexes (rate) [8, 9]

Thirdly, the company diagnostics in itself does not give opportunity to reveal possibilities which can arise in external environment and which by means of restructuring measures can be used to improve company`s activity.

Considering the aforesaid, at a stage of detection of necessity of implementation of restructuring measures it would be reasonable not only to analyze performance (operating) indexes of the company, but also to analyze changes in operating corporate environment. Implementation of such recommendations requires performance of current monitoring of operating environment of the company.

Generalizing the expressed recommendations, we shall note that at mining -metallurgical companies it would be reasonable to carry out monitoring of the operating environment permanently in consolidation with diagnostics of performance indexes of the company which will give chance to make in time decision concerning necessity of implementation of restructuring measures on the basis of detection:

- Changes in company`s operating environment which can have negative influence on performance indexes;
- Changes in company operating environment which gives possibilities for improving of its performance indexes;
- Negative tendencies in company`s performance indexes.

Stage 2. Detection of preconditions for corporate restructuring. Owing to implementation of concurrent monitoring of internal and external corporate environments and also to analysis of performance indexes (operating rate), specialists may reveal changes in operating environment or in activity of the enterprise, which demand implementation of adaptive measures, in particular of restructuring character. For example, preconditions for the company restructuring can be: development by the competitive organization of new effective manufacturing technology; dynamics of deterioration of financial condition index of the company; adoption of regulatory acts by state authorities which effect on activity of the company, etc.

Stage 3. Planning of corporate restructuring process begins from formulation of the goal of restructuring. Importance of such stage is stipulated by objectives in view that will have an effect on further management decisions at different stages of restructuring process. Duration of implementation and direction of purposes are determined by preconditions of restructuring and shall clarify the planned targets which the company wants to reach as a result of implementation of restructuring measures. Operating conditions and performance indexes of the enterprise, estimation and prediction of which follows formulation of restructuring goals are other important factors of justification of restructuring measures used.

Results of implementation of first two stages of the restructuring planning process give

chance to start formulation of alternative measures of its implementation, determination of alternative ways to achieve planned goals. Basing on estimation of formulated alternatives an optimal method of restructuring implementation shall be selected which at minimum risks and costs of resources will give possibility to achieve goal of restructuring and consider both current and predicted operating conditions and results of the enterprise activity. Selected measures of restructuring give possibility to start elaboration of its program which by sense and structure is a business plan of the company restructuring project.

Stage 4. Creation of restructuring process management structure provides distribution of powers and responsibility between workers of the company for the purpose of execution of restructuring tasks. It would be reasonable to create an organizational and management structure in the company for a period of implementation of restructuring program.

Stage 5. Motivation of the company employees provides necessity of their stimulation for execution of works directed on implementation of restructuring program and achievement of its purposes. Thus it is important to understand that motivations should be subject not only for direct principals and executors of restructuring tasks, but also other workers as their work be affected by certain corrective amendments related to implementation of restructuring measures. That will give chance to avoid consequences of resistance to changes from staff.

Stage 6. Analysis of restructuring program implementation level, estimation of actual efficiency of corporate restructuring measures. This stage is monitoring of restructuring process and directed on detection of failures, errors, lacks of the program implementation process of restructuring with the purpose of their timely elimination. Thus an analysis of correspondence of actual values of restructuring program indexes with the planned ones is very important.

Stage 7. Development and implementation of measures for elimination of revealed defects and deviations in the course of restructuring. As can be seen from fig. 1, depending on area of origin of failures, adjustment measures can be aimed for correction of restructuring program, restructuring process management structures or system of motivation of workers. Timely elimination of these revealed defects gives chance to minimize costs of resources for achievement of restructuring goal.

Conclusions: Thus, the corporate restructuring model shall be based on technology of management and cover in appropriate sequence processes of restructuring planning, organization, motivation, monitoring and regulation.

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Модель реструктуризации предприятий

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Аннотация. В статье раскрыты научные подходы к моделированию процесса реструктуризации предприятий. На основе их анализа усовершенствована модель процесса реструктуризации предприятий и детально рассмотрены ее составляющие.

Ключевые слова: реструктуризация предприятий; модель реструктуризации; диагностика предприятия; программа реструктуризации.