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DIVERSIFIED CORPORATE ASSOCIATIONS: MODERN SCORECARD ANALYSIS AND ASSESSMENT OF THEIR EFFECTIVENESS



N.A. Dobrianska, Doctor of Science,
Economy, professor

*Odessa National Polytechnic University,
Odessa, Ukraine*

V.V. Popovich, Doctor of Science,
Economy, professor

*Odessa State Agrarian University,
Odessa, Ukraine*



Добрянська Н.А., Попович В.В. Диверсифіковані корпоративні об'єднання: сучасні системи показників аналізу і оцінки ефективності їх діяльності

Досліджено та удосконалено методологічні засади дослідження діяльності диверсифікованих корпоративних об'єднань продовольчої сфери. Обґрунтовано концептуальні засади підвищення ефективності діяльності диверсифікованої продовольчої корпорації за рахунок перерозподілу владних повноважень. Розроблено методичний підхід до аналізу складу, ефективності й володіння корпоративною власністю диверсифікованих корпоративних об'єднань. Удосконалено методичні засади аналізу виробничої діяльності диверсифікованих корпоративних об'єднань продовольчої сфери. Розглянуто сучасні системи показників аналізу і оцінки ефективності діяльності диверсифікованих корпоративних об'єднань. Запропоновано використовувати для планування і програмування розвитку диверсифікованого корпоративного об'єднання продовольчої сфери ряд критеріїв.

Ключові слова: показники ефективності, диверсифіковане корпоративне об'єднання (ДКО), диверсифікація.

Добрянская Н.А., Попович В.В. Диверсифицированные корпоративные объединения: современные системы показателей анализа и оценки эффективности их деятельности.

Исследованы и усовершенствованы методологические основы исследования деятельности диверсифицированных корпоративных объединений продовольственной сферы. Обоснованы концептуальные основы повышения эффективности деятельности диверсифицированной продовольственной корпорации за счет перераспределения властных полномочий. Разработан методический подход к анализу состава, эффективности и владения корпоративной собственностью диверсифицированных корпоративных объединений. Усовершенствованы методические основы анализа производственной деятельности диверсифицированных корпоративных объединений продовольственной сферы. Рассмотрены современные системы показателей анализа и оценки эффективности деятельности диверсифицированных корпоративных объединений. Предложено использовать для планирования и программирования развития диверсифицированного корпоративного объединения продовольственной сферы ряд критериев.

Ключевые слова: показатели эффективности, диверсифицированные корпоративные объединения (ДКО), диверсификация

Dobrianska N.A., Popovich V.V. Diversified corporate associations: modern scorecard analysis and assessment of their effectiveness.

Abstract and improved methodological bases of research activity diversified corporate associations food sector. The conceptual bases of increase of efficiency of activity of diversified food corporations at the expense of redistribution of power. A methodological approach to the analysis of the composition, effectiveness and ownership of corporate property diversified corporate associations. Improved methodological framework for the analysis of industrial activity diversified corporate associations food sector. The modern system performance analysis and evaluation of the effectiveness of the diversified corporate associations. It is proposed to use for the planning and programming of development of diversified corporate associations food sphere several criteria.

Keywords: performance indicators, diversified corporate associations, diversification

The situation in Ukraine's economy is characterized by active restructuring of ownership of economic entities in search of the most effective forms of cooperation. Trends in concentration of assets and economic fields narrow borders in various fields are forcing to finding of new investment funds. The corporate form of business is a phenomenon relatively young, there was not only a manifestation of the inherent economy of any attraction to monopolization, but as a response to the demands of time, primarily related to the need to implement large-scale and costly projects and the increasing complexity of products produced, based on advanced science-intensive technologies. Especially important for these processes of businesses is food sector, which now faced with the challenge of foreign competition, food corporations.

The task of minimizing business risks forcing managers to diversify the activities of their companies by expanding the range of manufactured products, entering new markets, the acquisition or creation of non-core businesses. All of the above contributes to the formation of diversified corporate groups that best meet the requirements of the situation prevailing in the global and domestic economy [1].

Corporation, as well as any organizational and economic system which is subjected to continuous change, caused primarily by economic expediency of its operation and development in variable conditions at a particular time. These changes are, on the one hand, as mergers (acquisitions) of companies, leading to the formation typically diversified corporations, on the other – they are downsizing. These changes significantly affect the interests of the state and society, especially when it comes to the formation of corporate food sector [2].

Analysis of recent researches and publications

The problems of corporate governance and business diversification food sector paid much attention to leading domestic and foreign scientists, such as V. Andriychuk, I. Balanyuk, N. Bogatska, V. Bruce, N. Butenko, V.I. Gerasymchuk, B. Derevyanko, A. Zayinchkovskiy, S. Ilyashenko, M. Kolesnik, A. Peresada, M. Sakhatskyi, L. Taranyuk, A. Cherep, A. Scheier, S. Yakovenko and others.

Modern systems performance analysis and evaluation of the effectiveness of the diversified corporate groups paid their attention to Ukrainian scientists such as M. Korinko, M. Lendiel, O. Lemishko, N. Melnyk, B. Paskhaver, S. Popova, I. Rumik, H. Stepanenko, V. Tkachuk, D. Shelenko, O. Shpychak, Yu. Yurchyshyn, A. Yasko and others.

Unsolved aspects of the problem

However, number of problems stays not fully solved. Among these firstly are questions of formation viable mechanism of conglomerate grocery quarter's activity, that correspond to changing conditions of macro- and microenvironment, and also the development of scientific and methodological support for the organizational management processes of food corporations, taking into account their specifics. The importance and signification of these issues determined the choice of the topic, setting the goal of the study.

The aim of the article is to propose the use of a system of indicators analysis and evaluation of diversified corporate associations'.

The implementation of the purpose of article determined the following research tasks:

- to investigate and improve the methodological basis of diversified corporate associations of grocery sector activities study;
- to substantiate the conceptual basis of increasing the efficiency of the diversified grocery corporation funded with the redistribution of authoritative powers;
- to develop a methodical approach to the analysis of structure, efficiency and ownership of corporate property of diversified corporate entities;
- to improve the methodological basis of analysis of production activity of diversified corporate associations of grocery sector.

The main part

Generally, in the management of diversified corporate associations, there are several management tasks:

1. Obtaining, analyzing and using the information necessary for management. Information is branched sometimes and therefore it is difficult to order it, consequently arises an information surplus that can not be combined into one system. As a result, the management of the corporation has to conduct double, triple and even quadruple financial accounting, which makes it difficult to compile operational balances in the directions and, as a consequence, makes it very difficult to make tactical and strategic decisions.

2. Duplication of some managerial functions. Because of the multidisciplinary nature of economic entities, that participate in diversified corporate associations and the use of schemes with foreign participants in many of their activities, they must duplicate the accounting and control functions in each business, and sometimes even twice in one direction. Of course, this increases the cost of management staff, but generally still does not allow to realize these functions until the end. In particular, financial accounting gives failures and leaks, it can not always be found.

3. Difficulties in assessing the effectiveness of individual directions. With the general well-being of a corporate association as a whole, it is unclear what condition this or that business area is in, that is, it can be very unprofitable and very profitable. This circumstance, firstly, does not provide an opportunity to terminate the loss-making activity in a timely manner, and secondly, it is a source of friction between different divisions, and, thirdly, it hinders the objective evaluation of staff's work.

4. Centrifugal trends within the company. Generally, individual projects, that are "standing on their feet" and getting inside the company the status of independent business, try to adhere only to their interests. This often leads to a deterioration in the result of the diversified corporate entities' activities in general.

5. Decentralization behavior of employees in a particular business area. The impossibility of strict financial control and a large number of units create a favorable environment for the self-serving behavior of not only managers but also ordinary employees. This leads to the emergence of internal risks of a high degree, through which the attraction of external investment in the corporation becomes unlikely [3].

The solution of the problems is possible only on the basis of a comprehensive statistical study of the activities of the corporate association. One of the directions is to study the structure and composition of diversified corporate associations. In developing of methodology for studying the structure and combination of a diversified corporate association, in our opinion, there are several possible areas for statistical analysis:

- statistical analysis of the combination of diversified corporate associations;
- statistical analysis of sectoral sections;
- statistical analysis of synergy;
- statistical analysis of diversification.

The analysis of diversified corporate associations allows us to determine, installation of which department form part of association, the main indicators of the areas of activity. This line of analysis is the basis for identifying the specialized and bridging departments, that operate as part of association. As part of the analysis of sectoral sections, it is possible to investigate complex financial and other consolidated characteristics by the areas of activity of the corporate association (sectoral sections). The scheme of research in this case, in our opinion, should have the following form (fig. 1).

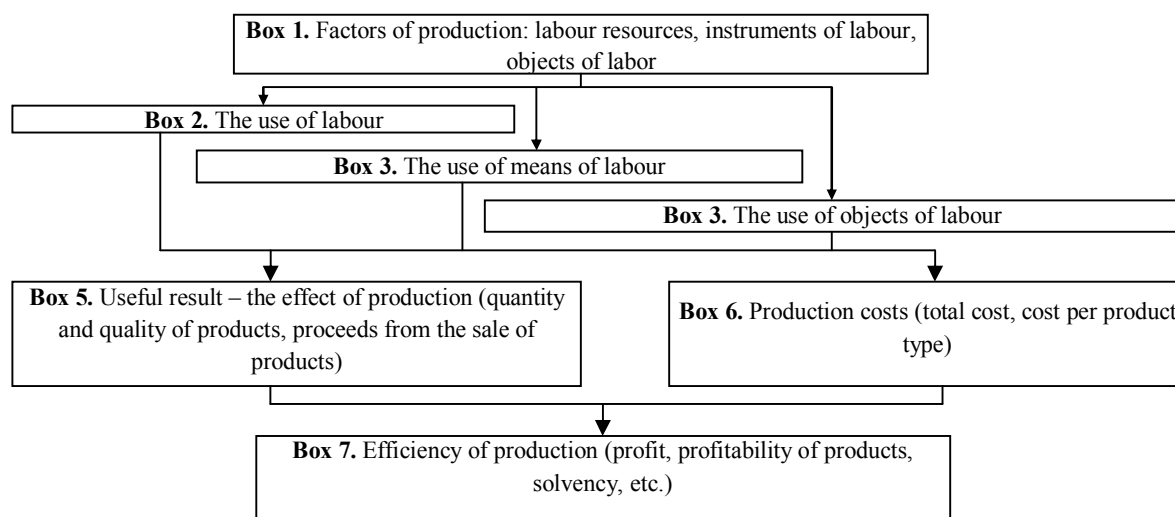


Fig. 1 Scheme of block statistical research of branch sections of diversified corporate associations

Source: Compiled by the author according to the material [3]

Actually, various authors offer several comprehensive systems of statistical analysis of the company's activities.

The choice of alternative programs for the development of production depends on the ability to maneuver the system. Firstly, the organizational and economic production mechanism provides possible maneuvering of technological methods of production. Establishing an acceptable area of maneuvering or permissible technological transitions in a certain period from a set, can be reduced to a limited number of similar by regulation of canning regimes and conformity of products to standard characteristics. The establishment of such area allows to accomplish a conceivable manoeuvre within:

$$0 \leq \Delta_{jk} \leq \Delta'_{jk}, \quad (1)$$

where j – the way of food production technology;

Δ'_{jk} – the normative value of the region's limit interval, which determines to what level it is possible to retire from the initial method of the technology jk in maneuvering processes, included in the selected development program.

Secondly, manoeuvring of technological method to shift the assortment is possible, and we are talking about the limiting values of the distance from a path acceptable in the program, in other words the "corridor". Moreover, the "corridor" and permissible maneuvering areas don't have to be fully used.

In any equal case of define assortment production, the size of the "corridors" of maneuvering will be determined by technical, technological, organizational or economic properties of production. The main factors in determining the corridors, that are always inside the maneuvering area, are such as the degree of discreteness of capacity input, the ratio of costs of resources and investment, production costs and revenues, technological features of production and a number of others. The measure of maneuverability of the volume production B , adopted in the development program, can be determined:

$$B = \{+\Delta_j, -\Delta_j, \Delta'_{jk}\}, \quad (2)$$

where $+\Delta_j$, $-\Delta_j$ – the vectors of limiting maneuverability, respectively, in the direction of increasing or decreasing the intensities of changes in the assortment, that is entered in the program;

Δ'_{jk} – the vector of the allowed volume of transfers from one assortment, determined by contracts, to another.

The ability of program in certain deformations without a significant loss of ability to realize the final goals is used in the organizational and economic mechanism as a property of elasticity. The elasticity of production program mainly characterizes the relationship between underproduction of production and a decrease in the availability of resources.

Methods of managing the elasticity of the program are divided into:

- external: increasing the reserves of products and resources, increasing the interchangeability of various types of products, produced by the alliance;
- internal: improving the maneuverability of the program, increasing the level of interchangeability of resources, methods of technology, increasing the specialization, raising the level of internal cooperation, etc.

The reliability of the H_k program of the production of k -th type products can be determined in the process of its formation as follows:

$$H_k = 1 - M(\Delta B_k)/B_k, \quad (3)$$

where B_k – production of k -th type product;

$M(\Delta B_k)$ – the mathematical expectation of underproduction of k -th type product.

Reliability is in close connection with the intensity of the program, in as much as the providing of resources according to pessimistic option increases the tension of the program, requires the additional conditions to reduce the likelihood of its failure.

The complex of functional and structural characteristics of plans and programs for describing the many ways of operating production facilities and

their modeling is considered in the scientific literature [4-8].

In different industries, a different rate of profit is formed and the goods will be sold according to prices, that compensate production costs plus average profit, that is calculated according to average rate of profit for the entire range of products. So, the result of the impact of aggregate price fluctuations at the system of a diversified corporate association is reflected in its economic indicators and the reliability of achieving the final results, therefore, the management of the diversified corporate association system is conditioned by the necessity of planning and regulating prices in all technological transitions of a diversified corporate association.

In distinction from industry, agriculture has its own specific pricing. The traditional method of price's formation of the product produced in agriculture does not work. The composition of expenses and their size are formed depending on the land quality. The level of prices determines the cost of production on the worst land and the average income. Quality and location of land, as well as the intensification of agricultural production, form an additional income, that serves as an indicator of the continuation of production on the relevant land plot. Agriculture on level of supply with technology is significantly behind industry. It is characterized by more organic construction of capital and a high rate of profit.

In industry, conversely, the high organic structure of capital determines the receipt of a low rate of profit. In other words, in agriculture and industry there are multivalent values of profit rate, theoretically can be aligned with help of inter-branch capital overflows [9].

In the integrated association – diversified collaborative association of grocery sector alignment of the economic conditions of management of different sectors (agriculture, processing, marketing), that can be based on unified methodological basis, that is taken into account in the formation of prices must be realized. Equal conditions of management, parity internal goods exchange of enterprises of a diversified corporate association of the grocery sector should be ensured through the sale of products according to prices constructed formed by the algorithm: the average cost price plus the average rate of profit.

Prices are formed by the following scheme will not be equally beneficial for all producers of diversified corporate, but two points will be incentives.

At first, the catalyst of the price mechanism and profitable business enterprises in agriculture.

Second, the catalyst manifests itself either in finding ways to reduce costs, either in changing the specialization of the company. In this sense, the price mechanism can be seen as a major economic instrument for cooperation between inside and outside of diversified corporate food sector.

In the process of socio-economic criteria of diversified business corporate food sector can be developed standards for different levels (individual, micro-, meso- and macro); calculate acceptable, expected and undesired deviation of actual performance from the regulations; identify one dominant programs, plans and activities over others for adjusting the level of diversified corporate merger.

For planning and programming of diversified corporate food sector in addition to these criteria should be used:

- performance criteria: absolute value and the rate of increase in revenues and profits, profitability and sales, increase business value;
- rational organization of production criteria, cost reduction rate of 1 USD commodity products, complexity of products, its salary, foundation, the proportion of current regulatory means of material production, etc.;
- criteria of efficient use of resources: the growth rate of labor productivity; reduce losses resources (by type);
- criteria of innovation, implementation of innovative products and technologies; production of new products per employee;
- criteria of improving product quality, increase consumer characteristics of products; reducing the number of claims; production of export or import substitution level of quality.

Conclusions

There is developed and proved block diagram of statistical research resources of diversified corporate groups, reflecting factors of production, labor resources, goods and labor, a useful result of production, production costs and efficiency.

These conditions of regulating the organizational and economic mechanism of diversified corporate food sector will help generate vectors and concrete filling the actions of organizational and economic mechanism based on scientifically grounded programs to use adapted methods, tools, lights, indicators that define transparent implementation of common purpose harmonization of interests synergy of their joint activities.

Abstract

Developed and proved a block diagram of statistical research resources diversified corporate groups, reflecting factors of production, labor resources, goods and labor, a useful result of production, production costs and efficiency.

Addressing only possible on the basis of a comprehensive statistical analysis of corporate association. One focus is the study of the structure and diversified corporate groups. In developing the methodology for the study of the structure and diversified corporate associations, in our view, there are several possible areas of statistical analysis:

- Statistical analysis of diversified corporate groups;
- Statistical analysis of synergies;
- Statistical analysis of diversification.

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These conditions regulate the organizational and economic mechanism diversified corporate associations food sector will help generate vectors and concrete filling action organizational and economic mechanism based on evidence-based programs to use adapted methods, tools, indicators indicators that define transparent implementation of common purpose, harmonization of interests synergy of their joint activities.

JEL Classification: L 25.

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Добрянська Наталя Анатоліївна / Natalia A. Dobrianska
semen-198@te.net.ua

Попович Василь Вікторович / Vasyl V. Popovych

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