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**RESTRUCTURING AS A TOOL FOR IMPROVING THE
COMPETITIVENESS OF THE FOOD ENTERPRISES IN THE
CURRENT ECONOMIC CONDITIONS**

**РЕСТРУКТУРИЗАЦІЯ, ЯК ІНСТРУМЕНТ ПІДВИЩЕННЯ
КОНКУРЕНТОСПРОМОЖНОСТІ ХАРЧОВИХ ПІДПРИЄМСТВ В
СУЧАСНИХ УМОВАХ ГОСПОДАРЮВАННЯ**

**РЕСТРУКТУРИЗАЦИЯ КАК ИНСТРУМЕНТ ПОВЫШЕНИЯ
КОНКУРЕНТОСПОСОБНОСТИ ПИЩЕВЫХ ПРЕДПРИЯТИЙ В
СОВРЕМЕННЫХ УСЛОВИЯХ ХОЗЯЙСТВОВАНИЯ**

В статье рассматривается необходимость реструктуризации предприятий в условиях кризиса под влиянием внешней среды и экономической политики государства. Главным направлением реструктуризации должно стать формирование интегрированных бизнес-единиц для обеспечения эффективной деятельности предприятия.

Ключевые слова: реструктуризация, конкурентоспособность, пищевые предприятия, хлебопекарная отрасль.

У статті розглядається необхідність реструктуризації підприємств в умовах кризи під впливом зовнішнього середовища та економічної політики держави. Головним напрямом реструктуризації повинно стати формування інтегрованих бізнес-одиниць для забезпечення ефективної діяльності підприємства.

Ключові слова: реструктуризація, конкурентоспроможність, харчові підприємства, хлібопекарська галузь

The article deals with the need to restructure enterprises in a crisis under the influence of the environment and economic policy. The main focus of the restructuring should be the formation of integrated business units to ensure the efficient enterprise activities

Keywords: restructuring, competitiveness, food enterprises, bakery industry.

The basis for sustainable development of the national economy is its competitive businesses that operate successfully in the marketplace. Modern market tool for improving the efficiency of enterprises are restructuring, which in general can be defined as their adaptation to work in an environment that is constantly changing. This necessitates the transformation of organizational

forms, structures, systems management and the principles of interaction with contractors and state.

The restructuring as a process of changing environmental conditions adaptation inherits in the market economy. It is regarded as a complex of measures aimed at «survival» business in a crisis or caused by the need to implement their new strategy, regardless of whether it is generated by the general macroeconomic situation, changes in general market conditions or the influence of internal factors for enterprises.

The restructuring means adapting the structure of the resources used by enterprises to new conditions, and modify the production according to current market demands. The restructuring usually involves the organizational changes in enterprises, which are often expressed in their division into smaller entrepreneurs or integration into larger. In the process of restructuring also change targets enterprise carried organizational restructuring, a division of assets are reviewed markets and optimize resources.

The aim of the reorganization is their rapid adaptation to market conditions, increase their business performance indicators and on this basis – increased employment and stability in Ukrainian society. The implementation of these processes can take place through the use of leverage mechanism and restructuring.

The restructuring is designed to solve a number of problems, including: the inefficiency of management, technical and technological backwardness of production, lack of working capital, low competitiveness of products. Solving these problems is related primarily to the creation of new mechanisms and management practices that would be adequate organizational and economic performance and market conditions.

To the problems of the enterprises restructuring are devoted the studies of foreign and native scientist as I. Akimov, A. Alpatov, L. Batenko, S. Bila, B. Bodrov, N. Datsiy, S. Dovbnya, V. Inyutin, L. Kalnichenko, A. Lepohin,

L. Lihonenko, T. Miserna, V. Momot, S. Pokropyvnyy, N. Porognyak, A. Pushkar, A. Sukharev, R. Holt, M. Khokhlov, S. Shershneva et al. In the researches of these authors the problems approaches of restructuring in crisis management and privatization have been analysed.

The term «restructuring» is used quite often ambiguous. During the realizing of the enterprise reform primarily as a simple division of a large company into several independent entities is the creation of autonomous entities.

The term «restructuring» was taken to a professional vocabulary from «General Electric» Jack Welch in the early 80-s of last century, literally had to «change anything» and almost immediately received widespread abroad (Zinchenko, 2014).

In our country the term «restructuring» was widely used from the beginning of the reform in the market economy. Law of Ukraine «On Restoring Debtor's Solvency or Declaring Bankrupts» and other legal documents provided using restructuring as an effective means of restoring solvency. So according to the law, «an enterprise – providing organizational, financial, economic, legal and technical measures to reorganize the company, including its division by the transfer of debt to an entity that is not subject to readjustment if provided plan of reorganization, a change in ownership, management, organizational and legal forms to facilitate financial recovery of enterprises , increase production of competitive products , improve production efficiency and satisfaction of creditors' claims» (Law of Ukraine, 2002).

The restructuring gained in practical distribution as part of privatization process, and has long identified with the reform and reorganization of some parts in the economy. As a special economic concept is not considered, so the practice could not obtain precise coordinates its implementation (Visochin, 2014).

The Analysis of scientific literature has allowed distinguishing two perspectives in the concept of «enterprise restructuring». According to the first

point of view, the notion of restructuring is seen as «any change in the strategic nature of the enterprise». Such assessment leads L.Vodachek: «The Restructuring is a complex and interrelated changes in structures for the enterprise operation as a whole» (Vodachek, 1999). In scientific works by V. Kryzhanovsky, V. Lemeshkova, V. Luther the restructuring is defined as «restructuring to ensure effective distribution and use of all enterprise resources (material, financial, labour, land, technology), which is to create a set of business units based distribution, merger, liquidation (transfer) of existing and of new departments, joining the company of other businesses or departments, purchasing decisive share in the share capital or shares of other organizations»(Kryzhanovsky, 1998).

The second group of authors in their definitions of restructuring on individual aspects – objectives, forms and directions of realization have been emphasised. O. Parovyy notes focus on the restructuring process «increase productivity and competitiveness of enterprises, which aims to improve production efficiency and the efficient allocation of resources» (Parovyy, 2000). J. Montgomery examines the consequences of restructuring in the form of significant changes in the activities of the enterprise, its management, its workforce and the structure of finance in order to improve profitability, reduce costs and improve product quality (Montgomery, 1997).

However, the international experience shows that the restructuring carried out and successfully employed in companies that have been successful and in fact undergoing constant restructuring. Thus, almost all enterprises of the former GDR have gone through drastic restructuring process, which include fundamental technical and technological renovation and restructuring of production, organizational division, change of legal ownership and more.

Since the company as an open system can exist only if the active interaction with the environment, V. Zabolotnyi and A. Koshik say: «The restructuring as a process of comprehensive adaptation to change conditions

inherent market economy.» They define restructuring «as companies adapt to working in a market, which leads with the radical transformation of their organizational legal forms of industrial and technological structures, systems management and interaction with contractors and state» (Zabolotnyi, Koshik, 1999).

According to the methodological guide for the development of the regulations on the restructuring of JSC, the primary purpose of restructuring the company is business development and implementation of market type motivation mechanisms in all levels of production, creating the effective owner - the owner of a number of senior and middle management in the company. Thus, restructuring is seen by scholars as a set of tools aimed at addressing the conflict between the demands of a market economy and the outdated model of the enterprise.

Restructuring inextricably linked directly to privatization as a major factor in the creation of new market conditions of enterprises and with post stage. The Businesses in the market conditions should work in a highly competitive domestic and international markets, so it is advisable to take into account the experience of the best international companies that have been successful and in fact, undergoing constant restructuring. Therefore, it is a fair interpretation of the restructuring “as a process of preparation and implementation of complex changes in the company to increase its market value» (Moiseenko, 2004).

We believe that fully define the essence of the restructuring T. Ben’ and S. Dovbnja: «This way of adapting the enterprise to market conditions change continuously, through a set of measures of organizational, economic, technical, technological and financial, which provide increased efficiency of production, competitiveness and strengthening financial stability» (Ben’ and S. Dovbnja, 2000).

Philosophy and methodology have been underlined the restructuring of the fundamental differences between companies operating in a competitive market and the administrative-command system.

The Methodology of restructuring should be determined in a certain system features enterprise: strategy development and organizational structure, the components of the environment and their impact on the development strategy of the enterprise, the elements of the internal environment and their impact on the efficiency of the company, of internal cost accounting and internal controls system of economic, social and psychological aspect of personnel management and others. It is therefore advisable to consider the changes that are parallel in legal status, production processes, organizational structure, the structure of the production program, the structure of income and expenses of personnel between people in the process production between now and the environment, and other changes. Thus, the total restructuring of the company requires some disparate approaches, and requires systematic comprehensive program.

The Restructuring is a difficult but necessary regulatory process that allows the company to become efficient and competitive. There are many approaches to restructuring. They cover many aspects that can be seen in different sequences depending on economic circumstances and condition.

Based on the understanding general meaning “restructuring” as a means of solving the contradiction between the demands of a market economy (macro) and outdated logic behaviour of enterprise (micro), we can formulate the following main problems of its implementation for most businesses today.

1. The Providing macro and micro-economic proportions by bringing the structure into compliance micro- entities (companies) to macroeconomic changes in the country economy (not based on the characteristics of transformational processes of Economy in Ukraine).

2. The Elimination of destructive changes within the enterprises themselves.

3. The Consequently perform in the first two tasks - ensuring the adaptation of enterprises to foreign trade changes as a prerequisite for their further development.

4. The Using in the restructuring process the maintain balance of proportions between the macro- and microeconomic levels. That restructuring as a way to use the crisis prevention rather than crisis removal already sold.

As you can see the problem of restructuring in accordance to their current state is rather significant. Their implementation requires the development of a concept for businesses of every single field of view in its features.

Considering the restructuring in the food industry, agricultural and processing enterprises should be tailored to suit the operation and development of agriculture. The reason for combining processing and other agricultural enterprises is the need to ensure a stable income as a result of creating their own sound resource base, forming permanent markets for their products, the expansion of economic activity, capital consolidation etc. (Skopenko, 2011).

Features of the agriculture function and development, correlated with their influence on the restructuring, described in the Table 1.

Table 1

The Features of the restructuring process in the food industry and agriculture

The Distinctive feature	The Features of the agriculture functions and development	The Impact of agricultural enterprises features in the dynamic integration
1	2	3
Industry structure	Food industry structure has been represented by various sectors and subsectors of production (milling, wine, confectionary, canning, starch syrup, liquor, meat, dairy, vegetable, oil and fat, brewing, fish, salt, baking, sugar, alcohol, etc.) and the technological and economic content is highly integrated	Integration leads to inter- sectorial structures of vertically integrated structures with complete production cycle, territorial and technological clusters

	with agriculture	
Market Structure	Different industries characterized by their features: oligopoly and significant market concentration (oil and fat, poultry and brewing industry), moderate market concentration (meat and dairy and confectionery industry)	Combining network type around the major manufacturers, including through the authoritative command. The development of vertically integrated structures with complete production cycle. Establishment of regional associations of producers on the principle of horizontal integration
Technology processes	Dominated standardized processes aimed at producing mainly products end-use	Attracting businesses to create a closed technological cycle
The scientific and innovation	The need for more advanced processing of raw materials, increasing complexity of technological processes requires extensive use of scientific development, diversification of products, including functional purpose	Integration involving carriers of innovative solutions (innovative collaboration) synergies scientific potential. Overbearing resources submission of scientific knowledge
Constructors preparation cycle	The expensive and large duration of the development in new techniques, new technologies and innovative products with tough competition	The difficulties with the investors in finance long-term projects is the need to create a financial-industrial groups. A variant of additional funding may be holding (optional integration)
Industrial production profile	The distribution complex for individual, small-scale, high-volume, mass-produced	Integration and cooperation have been provided by individual associations in agricultural producers contribute to the transformation of logistics networks for high-volume or mass, which leads to the emergence of economies of scale and overcome the «double allowance.» The required quality providing and safety of raw materials in the modern business environment require the creation of group of large manufacturing
Product description	Determine in the specialization of production, a special feature is a mass production, stable range	The combination of the production with finished products to reach new markets (horizontal integration) or involving subcontractors (vertical integration) to the value chain are possible

Recourses ' disposition	The dependence of the spatial distribution in production locations with natural resources (farms) and the resource base (typical for industries that use non-transportable raw materials, perishable, or a significant amount of raw materials to manufacturing units of finished goods - sugar, oil, fish, canned-vegetable, dairy (Cheese and butter production) and other areas)	The Incentives to integrate is determined by the influence of the environment and economic needs, conditions of the strategic areas in management, which provides the location in a certain type of production directly from the sources in raw materials and the integration in logistics structures. The aim of vertical integration is to optimize resource base (Integration ago) and expanding markets in raw materials (forward integration)
Intermedia te consumpti on	Agricultural products and food products have been used as raw materials in other industries (semi) and are the products of end-use	The presence of significant amounts in intermediate consumption is a need to improve the parameters of interaction with suppliers and consumers of intermediate goods, which justifies the involvement of enterprises in the closed technological cycle (creation of vertically integrated structures with a complete cycle of production and distribution)
Second exploitatio n	The possibility of using waste materials is available	The integration-cooperation with agricultural and ancillary industries, production of secondary processing of raw materials. The development of vertically integrated structures with a complete cycle production and deep processing of raw materials
Transport and the way of communic ation	Significant territorial dispersion commodity markets. Territorial remoteness of interacting enterprises through specialization. Special conditions of storage and transportation of raw materials and finished products	Integration and cooperation of participants support processes. Creation in the integrated structure of its own network and system of warehouses, silos, logistics centres
Supply of technical direction developme nt	Imbalance of high concentration in production and depreciation funds and low investment and innovation activity	Formation of mega corporations on the consolidated equity basis. Tax aspects (tax burden) fostering innovation
Labour intensity	Significant labour costs and working time. Seasonality of production	Conglomerate integration to overcome the seasonality of production. Introduction of the integrated structure in social facilities for staff motivation
Consumer factor	Has a significant impact on the production location in a short period of storage finished products	Production usually requires a daily intake of efficient logistics and trading networks, trading houses. Specific storage of finished goods is justifying the need for the creation and development of specific warehouse

The restructuring problem of food industry and its significant impact on life quality required in the scientific methods of restructuring formation and

identifying the practical recommendations for structural changes in the system. They must be taken into account factors that contribute to the objective need for such changes.

Restructuring is always thrust. It highlighted the objectives of the two levels. The first level is the whole area, which is to create the necessary conditions for the competitive producers and improve the efficiency of social production. The second level is the whole company, is to adapt to market conditions specific manufacturer products. We believe that the leading role in the restructuring of play just structural changes at the industry level (sub-) industry, which are the ground for successful industrial restructuring. On the other hand, structural changes in enterprises and organizations formed significantly complement and enrich restructuring measures in the whole area.

Food industry restructuring strategy involves addressing not only economic but also social and environmental objectives. However, in low level of economic efficiency sector has been exacerbated by social and environmental problems at the cause of the weak financial base of the industry. These problems include: the level of food consumption is too small to recommended standards; declining employment in the food industry; average salary barely covers living wage; food industry did not reduce the negative impact on the environment; increasing ecological food industry through the issuance of environmental food was not good spread.

Analysis of the current state of the restructuring process in the food industry indicates the need to take measures to speed up and improve them. To ensure focused management of these processes is of great importance for their classification under objects, elements and directions. The main objects of structural changes in the food industry are: material resources, industrial products, businesses, foreign trade turnover.

In implementing the restructuring of the most important role belongs to the formation of an effective mechanism for regulating structural changes. Of

particular importance in the management of these processes is given to different measures of state regulation , among which should be allocated as follows: deregulation and privatization, various forms of support for small and medium businesses, the implementation of sectorial programs, the use of financial and credit relations, agro industrial integration and system of measures to stimulate growth in exports of industrial food production and protect domestic producers from external conditions.

At the Ukrainian market reconstruction processes are associated with the processes of mergers and acquisitions that took place uneven pace. A specific impetus for the development of this segment of the capital market was the acquisition in 2005, the corporation Mittal Steel, Ukrainian company «Krivorizhstal» International and Raiffeisen Bank-Holding AG - stock postal Pension Bank «Aval». At the same time, the full development of mergers and acquisitions were recorded in 2007 (Fig. 1).

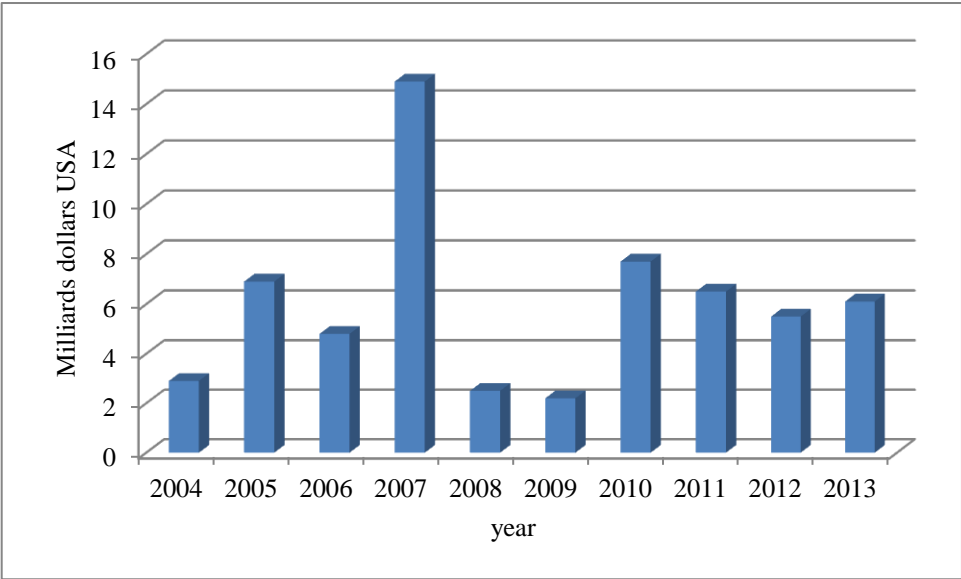


Fig. 1. The development of mergers and acquisitions

The activity of the merger and acquisition process is now supported redistribution of property in Ukraine, caused by economic, political causes and political interests of owners. Through a process of mergers and acquisitions accounted for redistributive processes in the mining and metals sector, the

process of consolidation in the construction and food industry, the financial sector.

At present, the status of corporations engaged in investing abroad mounted on steel corporations and food industries. Metallurgical Corporation with the aim of penetrating the foreign commodity markets conducted an active policy of acquisitions of foreign sales and service networks, and from this – the acquisition of the assets abroad. Among the food industry the overseas expansion such as confectionery and alcohol industry have been actively increased. Thus, the active sinks in the foreign market are the «Roschen», «Kyiv Conti», «AVK».

The Food Industry Corporations are active participants restructure processes in Ukraine. As the number of concluded transactions food industry Ukraine occupies a leading position among other economic activities. Food and Beverage Ukraine is one of those industries that is not the very first joined the process of property redistribution mechanism through mergers and acquisitions, involving management of industrial potential of the industry share of multinationals. The active transnationalization of industrial production had to the second half of the 90-s and lasted until the present. The reasons that led multinational corporations to expand the limits of their activities have become a big market capacity, negligible amounts of assets, the availability of cheap material and labour resources, and more. At the end of 90-s years in Ukraine were formed corresponding organizational and economic conditions for the inflow big investment in the economy. In particular, the privatization program coming to the conclusion was formed by non-state sector of the economy, ended the period of accumulation of private capital and began a period of redistribution of property.

Food industry attracting the multinationals capital has become objects in which most of the foreign capital invested (Table 2).

Table 2

The Major Mergers and acquisitions in the food industry in Ukraine

Year	Amalgamation and plant takeover processes of business	Operations cost
1998	The Nestle closed joint-stock company» Lviv Confectionary»Switoch” acquisition	
2000	The Vymm-Byl_Dan 60% of the Kiev Dairy Plant № 3 actions Buying	5-6 mln. \$
2002	The Buying by Vymm-Byl_Dan 50% + 1 share of Kharkov Dairy Plant № 3 The Buying «Planet Management» 80% of the actions of Kiev Dairy Plant «Galakton»	to 5 mln. \$ 16 mln. \$
2003	JSC «Galakton» acquired Kremenchug dairy factory	
	«AVK» acquired Dnepropetrovsk confectionary Nestle acquired 100% of «Volyn holding»	
2006	The «Nutritek» acquired 56% of actions of «Khorolsky dairy factory» JSC «Myronuvsky Brot Product» acquired 80% actions in «Oryl-Leader» Group of companies «Tekt» gained control of the «Rosynka»	8, 0 mln. \$ 88,0 mln. \$ 18,2 mln. \$
2007	French group acquired the «Shostkinsky Dairy» gained control of the «Rosynka»	50-60 mln. euro
2008	JSC «Sarmat» acquired South African Breweries – Miller (SABMiller) plc,	130 mln. \$
2009	Ltd. «Mjagkov-Finance» JSC acquired «Synergy»	100 mln. \$
2010	JSC «Dnepropetrovsk brewery» Dnepr «acquired Soufflet	60 mln. \$
2013	International corporation «Astarte» acquired Chortkiv and Orzhickij sugar factory	

Switch foreign capital increased competition in product and was the cause of considerable concentration of production in some of them. At the most specific markets, foreign capital shows its willingness to restructure and consolidate property assets. In the Ukrainian realities restructuring is the most often seen in the form of vertical and horizontal integration.

Advantages and disadvantages of the various types of integrated structures in agriculture and food industry in Ukraine are summarized in the Table 3.

Table 3

**Advantages and disadvantages of functioning integrated structures
(IS) in agriculture and food industry in Ukraine**

Food industry	The advantages of integrated structures	The disadvantages of IC creation	The Examples of integrated structures in agriculture and food industry in Ukraine
Horizontal integration			
Branches of production that do not depend on the seasonality in supply raw materials (confectionery, brewing, tobacco) and other sectors (dairy, bakery)	Increase in market share; reduce competition; opportunities for the establishment and maintenance of market prices; quality standards; legal and financial control over structural units; lobbying	The monopolization of the market; create excessively large organizational structure	Production Association «Conti» concern «AVK» company «SUN InBev Ukraine», JSC «Philip Morris Ukraine», JSC «Imperial Tobacco Group» LLC «Concern» Hlibprom «group» Yunymylk Ukraine «
Vertical Integration			
The industries that are closely tied to the commodity factor (sugar, dairy, meat processing, wine, oil and fat) and other industries (brewing, baking)	Uninterrupted production of raw materials required quality; reduce production costs; non-waste production; legal and financial control of the structural units	Vulnerability in removing one of the links in the vertical chain	JSC «MHP» agricultural holding «Vanguard» holding «Astarte» holding «Kernel Group», «Investahroprodukt», «Wimm-Bill-Dann» «National Alcohol Traditions» corporation «Obolon» Corporation «Roshen», group of companies «Ukrzernoprom», JSC «Kyiv Bread», holding «TIS «
Conglomerate integration			

Association of enterprises from different sectors in the food industry	Diversification of activities; increase the profitability of production by expanding the scope of activities; reduce business risks; capture market share in other markets; lobbying	Create excessively large organizational structure ; branching leads to poor management of structural units	LLC «Hetman» (alcoholic beverages, canned-vegetable, confectionery industry); JSC «Chumak» (tinned vegetables, oil and fat industry) NESTLÉ company (coffee, drinks, confectionery, cooking (cold sauces, seasonings, soups), and a special children's meals, ready for breakfast, pet food, ice cream)
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At present, the main objective is to avoid the mentioned negative trends or seeking to minimize their symptoms.

In modern terms, the integration process of reforming the APC moves from attempts to establish some relations between enterprises (branches) in their systematic relationships. The integration in the agricultural sector creates such an advantage over other forms of economic activity due to: the accumulation of labour, financial and other resources; reduce the time of the production process; economies of scale; synergistic effect; access to new knowledge (technology, engineering, industrial engineering, management, marketing, etc.); wider dissemination of knowledge and information; optimization of information flows; increase local revenues; improve the economic and social development of the region; create new jobs; creating better conditions for the combination of personal interest with the interests of their members all members of the production process; protect union members from monopoly manifestations suppliers , marketing , banking and other structures and so on.

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