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РОЗВИТОК КОНЦЕПЦІЇ VALUE BASE MANAGEMENT ТА ЇЇ РОЛЬ В МАКСИМІЗАЦІЇ ВАРТОСТІ КОРПОРАТИВНОГО ПІДПРИЄМСТВА DEVELOPMENT OF THE VALUE BASE MANAGEMENT CONCEPT AND ITS ROLE IN MAXIMIZING THE VALUE OF THE CORPORATE ENTERPRISE

Анотація: Мета дослідження полягає в критичному огляді та узагальненні основних світових підходів щодо побудови VBM та обґрунтування на цій основі рекомендацій щодо його запровадження у вітчизняну практику фінансового управління. Розглянуто еволюцію розвитку VBM та концептуальних підходів до управління корпоративним підприємством. Обґрунтовано необхідність трансформації підходів до управління корпоративними підприємствами від традиційних фінансових моделей до вартісно-орієнтованого управління. Встановлено, що VBM здійснює вплив на вартість корпоративного підприємства у довгостроковій перспективі. Доведено, що використання вартісно-орієнтованої концепції управління передбачає вибір доцільних методів та інструментів, спрямованих на стабільне відтворення вартості.

Abstract: The purpose of the study is to critically review and summarize the main world approaches to building Value Base Management and to substantiate, on this basis, recommendations for its implementation in the domestic practice of financial management. The article describes the evolution of VBM development and

conceptual approaches to corporate enterprise management. The objective necessity of transforming approaches to the management of corporate enterprises from traditional financial models to value-based management is substantiated. It is established that VBM is not only one of the main directions of improving the efficiency of management decisions, but also has a significant impact on the value of a corporate enterprise in the long term. The article proves that the use of the value-based concept of enterprise financial management implies the selection of appropriate methods and tools at all levels of management aimed at sustainable value reproduction.

The article considers the process of transformation of the VBM concept and its main elements. A comprehensive analysis of the main approaches and models to business valuation is presented. A comparative characterization of VBM and the traditional approach to corporate enterprise management is systematized and provided.

The generalization of the economic content of management theories has allowed to substantiate that VBM differs significantly from the previously accepted management criteria and is a more effective concept of equity management than other systems. It should be borne in mind that the value of an enterprise, on the one hand, is an indicator of its sustainable development, and on the other hand, it is a regulator of value distribution for various participants in economic relations, so, of course, the management mechanism should focus on the key factors of value creation.

Keywords: *Value Base Management, management concepts, financial model, corporate management, finance of enterprises, corporate enterprise, value of a corporate enterprise, model of value assessment*

Ключові слова: *Value Base Management, концепції управління, фінансова модель, корпоративне управління, фінанси підприємств, корпоративне підприємство, вартість корпоративного підприємства, моделі оцінки вартості*

Introduction. The new realities of domestic corporate enterprises caused by the war, social tensions, economic instability, and the need to relocate a significant part of business require an urgent change in traditional approaches to corporate management.

Traditional financial models based on static analysis of financial indicators or normative indicators of financial flows do not always work in the current environment, when the flow of data on all aspects of financial and market activities of enterprises is

growing significantly. The consequence of this is, on the one hand, the complication of the analytical apparatus necessary for making effective decisions on corporate financial management, and on the other hand, the growing need to develop more adapted to the present methods and principles of corporate financial management, based not only on financial analytics, but also providing for a comprehensive assessment of all business processes [1].

An alternative to the traditional financial model is the cost model for assessing the efficiency of a corporate enterprise, according to which the success of the latter is associated with the increase in its value [2, p. 575].

Analysis of recent research and publications. A number of prominent scholars have devoted their works to the development of the Value Base Management concept: A. Rappaport, B. Stewart, T. Copeland, T. Koller, D. Murrin, G. Arnold, A. Black, P. Wright, E. Gurley, J. Ryan, D. Carland, O. Mendrul, F. Balos, R. Morin, S. Jarrell, D. Marsh, D. Teget, P. Contes, D. Gardiner, R. Polman. However, despite a significant number of studies, the effective implementation of Value Base Management requires further fundamental theoretical research and clarification of the practical aspects of building an appropriate management system adapted to domestic realities and difficult economic conditions in order to significantly affect the value of a corporate enterprise in the long term.

The purpose of the article. The purpose of the article is to summarize the best international practice of building Value Base Management and, on this basis, to substantiate recommendations for its implementation in the domestic practice of financial management.

Presentation of the main research material. The concept of Value Base Management (VBM) emerged as a new ideology of corporate governance associated with the focus on value, the formation of a new mindset of business leaders, which required the efficient use of financial resources. As the practice of corporate enterprises shows, the growth of

enterprise value is in the interests of both owners and shareholders, as well as all participants of the economic environment - consumers, the state, investors, employees [3, p.583].

The founders of the VBM concept are A. Rappaport, author of "Creating Value for Shareholders" [4] and B. Stewart, author of "In Search of Value" [5]. In particular, the first stage of development of approaches to the definition of VBM is associated with A. Rappaport. Thus, in his work "Creating Value for Shareholders", published in the mid-80s of the twentieth century, the scientist made an attempt to develop a valuation model that would be able to take into account the interests of all market participants. However, A. Rappaport's concept was primarily focused on taking into account the interests of shareholders, and to a lesser extent all other participants. The essence of this concept was to evaluate the effectiveness of the company's investment and financial strategy, which is able to create shareholder value. This approach is called Shareholder Value Added (SVA) [6, p.254].

In the above-mentioned scientific works, the basic principles of VBM were first formed. In particular, A. Rapport and B. Stewart considered VBM as an integral management system that contains the following components:

- Valuation - includes the choice of methods for assessing the value of a corporate enterprise and tracking the process of creating new value;

- Strategy - establishes the ways by which the main goal will be achieved - the growth of value for the owners of the corporate enterprise;

- Finance - identifies the main factors that affect both the activities of the corporate enterprise as a whole and its individual divisions;

- Corporate governance - aims to balance the interests of shareholders and managers, develop a system of motivation for managers and employees [4, 5].

Continuing the development of the concept, the American scientist G. Arnold identifies the following main elements of VBM:

- Increasing shareholder wealth in the long run;

- New value for shareholders is created only if the amount of profit exceeds the cost of capital;

- The incentive system should be based on internal indicators that are used to assess the current performance of the company and provide managers with information on the achievement of the main strategic goal - increasing the company's value. External indicators should be used to assess the company's potential to generate value in the long term [7].

Further development of the VBM concept was associated with the publications of a number of foreign scientists: T. Copeland and T. Koller, D. Murrin, D. McTaggart, who finally formed the basic principles of the concept [8].

The VBM concept has gone through three phases in its development. In the first phase, called the calculation phase, in the mid-1980s, VBM considered mainly financial aspects. It is believed to have been initiated by investment analysts who monitored the market in search of undervalued corporate enterprises with the aim of acquiring them for

subsequent restructuring and resale. To this end, they began to calculate the value of businesses using various models where the value of shares was a function of cash flows and risk-adjusted returns on capital. During this period, corporate enterprises gradually turned into tradable commodities. This led to intensified restructuring, mergers and acquisitions, which resulted in the liquidation of underperforming corporate enterprises and the investment of promising and profitable ones.

Obviously, this approach did not have a significant impact on the value of the corporate enterprise in the long run. And although investors can carry out transactions for the purchase and sale of an enterprise for quite a long time, at some point they may need to manage their business in the context of creating additional value for the owners. Therefore, in the second, strategic phase of its development, in the 1990s, VBM moved to the level of business strategy. However, there was still a distance between the strategic and operational levels, in other words, managers could not always find practical application of VBM principles.

At the beginning of the XXI century, the integrated phase of VBM began, which is becoming an increasingly holistic approach to all aspects of management decisions, including strategic and financial planning, capital structure management, performance evaluation and motivational system [9, p. 91].

A study of the evolution of conceptual approaches to enterprise management over the past hundred years has shown that VBM has

emerged as a result of the evolution of a number of financial indicators (Table 1).

Table 1. Evolution of paradigms for assessing the efficiency of corporate enterprises based on value

Period	Model of value assessment
1920s	- Net profit (Net Profit); - Dupont's model; - Return on Investment (ROI)
1970s	- Net income per share (Earnings per Share); - Price-Earnings Ratio - the ratio of share price to net income
1980s	- Ratio of market to book value of shares; - Return on equity (ROE - Return on Equity); - Return on Net Assets (RONA); - Cash flow (Cash Flow)
1990s ...	- Economic Value Added (EVA); - Shareholder Value Added (SVA); - Valuation of real options; - Earnings before interest, taxes, and dividends (EBITDA); - Net Present Value (NPV);
1990s...	- Balanced Scorecard (BSC); - Cash Flow Return on Investment (CFROI); - Management by Objectives (MBO); - Edward Bell-Olson model.

Source: compiled by the authors according to resource [10]

The generalization of the economic content of management theories has led to the conclusion that VBM differs significantly from the previously accepted management criteria and is a more effective concept of equity management than other systems. This can be explained by the fact that VBM is based on the management of an integrated financial indicator - the value of a corporate

enterprise, which focuses not only on individual components of financial management - liquidity, risk and profitability management, but also on their simultaneous balanced combination, which ultimately manifests itself in the company's added value. The comparative characteristics of VBM and the traditional approach to corporate enterprise management are presented in Table 2

Table 2. Comparative characteristics of VBM and traditional approaches to corporate enterprise management

Comparative features	Traditional management system	VBM
1. Purpose of the activity	Maximizing the company's profit	Maximizing the company's shareholder value
2. Interrelation with the strategy	Lack of interconnection between the strategy and the budget system	Clear focus on strategy implementation
3. Planning horizon	Focus on efficiency in the short term	Focus on long-term performance
4. Features of the methodological approach to planning activities	Based on actual data of previous periods	Focuses on the desired level of investment value and its future
5. Consideration of options for making management decisions for development	Excludes alternative actions from the analysis, ignores more effective options	Provides an assessment of additional alternative opportunities
6. Key performance indicators	Accounting profit and profitability	Economic profit, free cash flow

Source: compiled by the authors according to resource [11]

It should be noted that the traditional financial model is characterized by a narrow focus - accounting data do not always provide a clear picture of the actual state of a corporate enterprise. In addition, the main disadvantages of economic efficiency assessment methods based on traditional indicators include: simplification of the model due to the absence of an indicator reflecting the risk factor; incomplete accounting of the cost of capital raised; difficulty in comparing traditional performance

indicators of competitive corporate enterprises due to differences in accounting policies.

With regard to the modern interpretation of the concept of "Value Base Management", given the wide variety of literature sources, there are many approaches characterized by their diversity. In view of this, it is advisable to consider a morphological analysis of the essence of the concept of "Value Base Management" in Table 3 [12, p. 206-207].

Table 3. Morphological analysis of the essence of the concept "VBM"

Keyword	The essence of the concept within the keyword	Author
1	2	3
Management concept	aimed at improving strategic and operational decisions at all levels by focusing the efforts of all decision makers on key elements of value creation	Copeland T. [8].
Approach	corporate enterprise goals, systems, strategy, processes, performance measurement, and culture are all aligned with the goal of maximizing shareholder wealth	Arnold D. [7].
	identification of key factors that form the value of the enterprise, the so-called value-drivers, and conscious systemic influence on them in order to increase the value of the enterprise	Gerashchenko A. [13].
	management, which, when making management decisions, is based on accounting for all types of current and prospective expenses and income that may affect the change in the company's value	Sotnikov A. [6].
	which combines defined goals, restructured organizational structures and systems, accelerated strategic and operational processes, and updated human resource management practices	Balos F. [14].
	an enterprise that directs strategy, policies, activities, events, processes, people and systems to create shareholder value	Black, A., P. Wright [15].
Management	strategy and financial control system designed to mitigate management conflicts and increase shareholder value	Gurley E., Ryan J. [16].
System	which is customer-oriented and built on common principles and core values designed to instill a culture of ownership in the organization	Carland, D. [17].
	management, which transforms the value goals of business owners into specific actions of hired managers, who should be aware of their priority task of increasing the value of enterprises and subordinate other goals to it	Mendrul, O. [18].
	actions that extend the importance of value throughout the company; a robust, disciplined process that underpins all business decisions	P. Morin, S. Jarel [19].
	to evaluate and manage the business in order to create long-term value for shareholders. The increase in value is determined by an increase in the dynamics of share prices and dividend growth	Marsh, D. [20].
Complex	beliefs, principles, and processes that effectively influence the company's success in the fight against external competition and institutional influence from within. These beliefs, principles, and processes form the basis of a systematic approach to achieving the company's goals	Teget, D., Contes, P. [21]
Basis	decision makers must balance all the value drivers that will maximize the value of their organization in the long run	Gardiner, D., Pohlmann, R. [22]

Source: compiled by the authors according to resource

A critical analysis of the definitions of the concept of "Value Base Management" and literature sources allows us to draw the following conclusions:

- when defining the concept of "Value Base Management", theorists and practitioners use both simple ones: growth of share price, increase in market value of assets and more complex ones: complex, method, process; and very complex ones, such as system and philosophy;
- Effective enterprise value management is impossible without

understanding the factors that shape value.

- The value-based approach to enterprise management is understood by VBM at all levels from ordinary employees to the general manager [23, p. 66].

Summarizing the considered definitions, it can be noted that VBM is a concept according to which the main purpose of managing a company at any level is to create and increase value for capital owners.

At the present stage, the VBM concept can be divided into several distinctive areas (fig. 1).

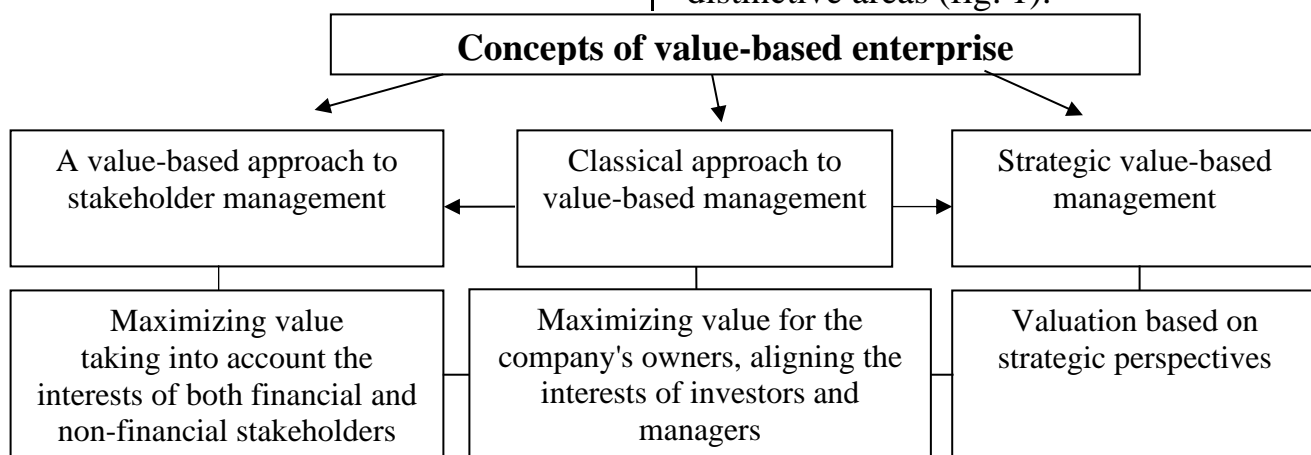


Fig. 1. Areas of Value Base Management approach to enterprise management
Source: [24, c. 152]

Further development of the VBM concept was influenced by the stakeholder theory (stakeholder approach). According to this approach, it is inappropriate to focus exclusively on the interests of one group - the owners (shareholders) of the enterprise, because its functioning includes interaction with many other stakeholders, the interests of which determine the stability of the enterprise's development in the long term. In modern conditions, the purpose of the enterprise should be not only to ensure the growth of the owners' welfare, but also to observe the public

interest, that is, to form a model of socially responsible business [25, p. 180].

When studying the essence of VBM by a corporate enterprise, it is necessary to distinguish its 3 main components, namely: the value creation process, value-based management itself, and value measurement.

The first component embodies the total set of factors of value formation, as well as the peculiarities of the enterprise's functioning that affect or may affect the value. The component of value-based management involves creating an organization, corporate

culture, management mindset, etc. that would ensure the best achievement of the goals set in VBM. The third component - value measurement - includes a methodology for assessing the value, specifying the target indicator, as well as taking into account the possible dynamics of changes in internal and external conditions of functioning [24, p. 153].

It is worth noting that an important step is to identify the factors of value formation, because it is the identification of factors that directly or indirectly affect the value, determining the strength and priority of their impact that allows to formulate appropriate tasks for managing these factors and achieve the main goal of the enterprise - maximizing its value. Although there is a significant number of scientific studies that focus on the study of financial factors of value, scientists are now increasingly paying attention to non-financial factors in analyzing the value of a corporate enterprise [26, 27]. This is because, unlike financial factors, which provide information about the results of the enterprise's activities, but do not reflect the ways of their achievement, non-financial value factors are the basis for calculating financial indicators and are characterized by a long-term impact on value [28, p. 208-210].

The main advantages of using VBM by an enterprise are the following

- Ensuring the link between value and enterprise strategy. Maximizing value is the main goal of strategic management;

- Taking into account the interests of owners and all stakeholders to increase welfare in the long term by

making decisions that contribute to the strategic development of the enterprise;

- focusing on the factors that create value and are the tools of strategic management. The analysis of value factors allows to determine the main directions of its accumulation, identify growth reserves and prioritize the company's goals;

- use value as a measure of the company's performance;

- use the value as a benchmark in attracting capital to ensure further development of the enterprise, growth of its competitiveness and investment attractiveness;

- development of an effective motivational system that would allow to unite the interests of department heads and staff in their desire to ensure sustainable development of the enterprise, as well as to take into account the contribution of each employee to the creation of value in the area of his/her responsibility [3, p. 584].

These opportunities provided by VBM, in our opinion, characterize the role of this concept in assessing the performance of an enterprise and once again confirm that managing the development of an enterprise on the basis of value contributes to its sustainable and long-term growth. It is also important to note that value is the most reasonable assessment of an enterprise's performance, a comprehensive criterion for its sustainable development.

However, there are also strong arguments against the VBM concept. For example, the practice of implementing VBM by foreign companies shows a decrease in the level of motivation among employees. In addition, social and public

organizations also criticize the VBM concept for insufficient reflection of social effects in the activities of companies implementing value-based management. It is also believed that in the long run, the introduction of VBM contributes to slowing down the company's growth, as top management will be much less interested in investing in high-risk business projects. In addition, it is widely believed that domestic companies are not yet ready to fully implement the VBM concept for a number of reasons: insufficient development of the stock market; low degree of openness of business entities; unpredictability of many conditions (changing legislation, unstable political situation and significant influence of the political factor on the economic activity of individual entities) [29, p. 8].

At the same time, the new realities of the functioning of domestic corporate enterprises caused by the war, business relocation, social and economic instability, contribute to the

need to find new areas of effective enterprise management and implement VBM, which will open up new opportunities for enterprise development and achieve long-term strategic goals.

Conclusions. Summarizing the above, we can say that despite the long development, VBM is still under development, which is evidenced by the existence of several approaches to its implementation proposed by individual research groups and consulting companies (Stern Stewart & Co, Marakon Associates, MCKinsey & Co, Price Waterhouse Coopers, etc.) Although the existing approaches to implementing the VBM concept are based on different fundamental principles of value creation and use different valuation tools (Economic Value Added, Market Value Added, Shareholders Value Added, etc.), they all aim to achieve the same goal - maximizing the value of a corporate enterprise

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