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ОПТИМИЗАЦІЯ ВИТРАТНОСТІ БІЗНЕС-МОДЕЛІ ПІДПРИЄМСТВА

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COST-BASED OPTIMIZATION OF ENTERPRISE BUSINESS MODEL

Abstract

Purpose. The purpose of research is to develop a methodological approach to identify potential areas of optimization cost of business model of the enterprise.

Methods. The study used the methods of analysis and synthesis, generalization, classification, matrix positioning.

Results. Based on the analysis, the advantages and disadvantages of modern concepts of strategic cost management are defined, developed hierarchy of drivers (cost factors) in accordance with the system of ABC / M - technologies, landscape matrix iteration spending aimed at determining their optimal structure.

Scientific novelty. Methodical approach to support the optimal cost structure based on a compilation of the matrix "cost return - consumer value", which takes into account the balance cost form factors for each block of business model of enterprise in the context of additional customer value and to optimize the overall cost structure.

The practical significance. The proposed methodological approach to optimize cost structure creates new opportunities for effective planning and cost control, which allows optimizing their structure-based feasibility cost form factors for each component of the business model and an information base for determining the targets of the enterprise.

Keywords: *business model, business process, cost, expendable, cost form factors driver, consumer value.*

The main text.

Raising of the problem. The modern period of operation of entities is characterized by structural changes that require quick response to changes in the environment jumping and the need to develop new tools and technologies supporting decision making. In the face of rising economic uncertainty paramount for companies is to build an effective business model that would give a complete picture of the progress of all business processes and actual results of operations, and in times of financial crisis and increased competition ensures financial stability, liquidity and efficiency activities on the operational and strategic level, and given that any enterprise is subject to a market economy - helped raise the level of its market capitalization.

Analysis of recent research and publications. Theoretical studies have shown that the issue of forming effective business models mainly devoted to the work of foreign researchers such as J. Berg [1], Don Debelak [2], D. Mahrett [13], A.Ostelwalder [5], A. Slivotski [7], H. Freeman [12], H.Chesbro [8] and others. In foreign scientific literature, the results of studies on the creation of successful business models are different approaches to the interpretation of the essence of the definition of "business - model", different approaches of classification and selection of building blocks of business model are shown. However, the use of foreign experience to create effective business models of domestic enterprises requires making significant adjustments taking into account the peculiarities of the Ukrainian economy. Moreover, the objective conditions of modern market realities necessitated a focused management of individual components of the business model; including preferred place is cost component. The necessity of targeting it to the fuel component of the business model is the fact that sustainable cost management can not only satisfy the requirements of the dynamic development of enterprises, but also effectively implement the transformation of existing business models under the conditions of the business environment.

Problem. The purpose of research is to develop a methodological approach to identify potential areas of optimization expendable business model of the enterprise.

Exposition of basic material of research.

With the uncertainty of the external business environment, to develop an effective business model "once for all" virtually is impossible. To ensure the competitive advantage of the enterprise and its progressive development of existing business models to measure the variability of the environment must be constantly reviewed, updated and amended.

The rapid changes in the environment require businesses to implement new approaches to the development and transformation of their business models. Given the complexity of the structure of the business model of the enterprise [10, p.149 - 193] and focus on getting targeted income, cost management system of its component takes a crucial place of location. Updating the practical aspects of managing cost component of business model due to the fact that income is largely dependent on market costs - directly from the internal mechanism and conditions of the business model of the enterprise

In this context, it is necessary to accept Osterwald A. and J. Pyne points of view, in which states that "any processes that are implemented in the enterprise (creating

and implementing value propositions, maintaining relationships with customers, profit, etc.) associated with certain costs "[5, p. 46]. This necessitates a careful selection of optimal attributes (components) of business model and adjustment of position of high cost return on each process.

The need to adjust each component of business model and their "adjustment" under the terms of the business environment is defined by many researchers' problems of its formation [1, 2, 7, 8, 12, 13]. This causes the need for a thorough rationale for the costs associated with their formation. This process can be called "the process of iteration" (from the Latin. *Iteratio* - repeat).

Based on the essential characteristics of the iterative process in the author's understanding, it will continue until that time until you find the optimum combination of components of the business model and structure that will provide high level of costs return on the whole business model of the enterprise. However, given the need for constant response to "call" the external environment, the basic principle of the iterative process is cyclical.

Thus, the formation of business models associated with certain costs, which necessitates consideration the interrelated cost form factors.

Concept of cost form factors as determined by J. Shank and V. Hovyndaradzhan [9] is traditional for most types of business. The basis of the concept is the division of cost form factors on functional (operational) and structural (Fig. 1).

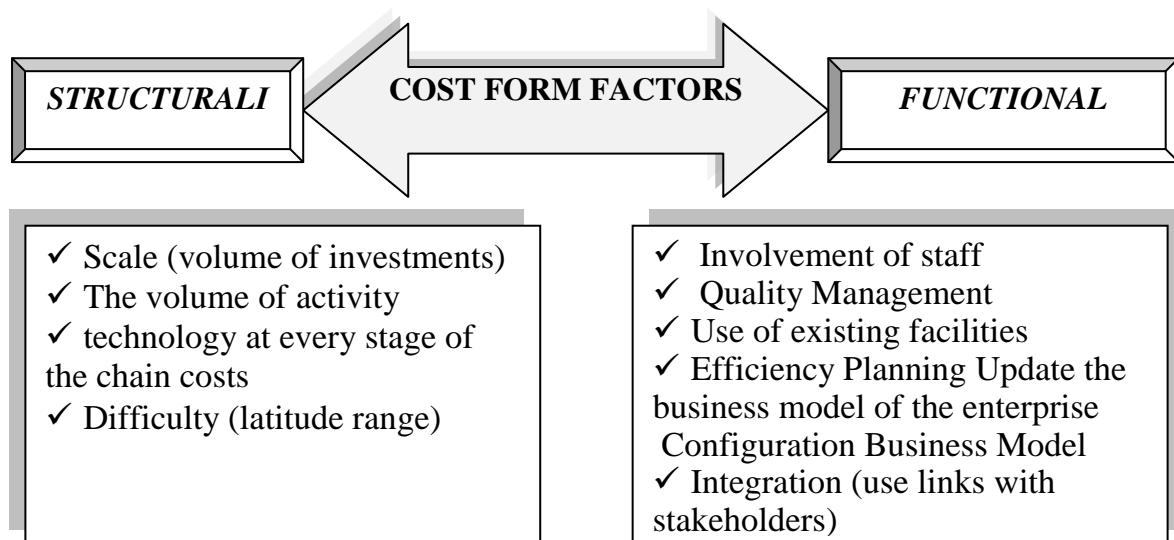


Figure 1 - Modified classification of cost form factors [Compiled by the author based on the generalization of 3, 4, 6, 9]

The functional (operational) factors related to the ability of the enterprise to ensure its successful operation. They compared rates commensurate with the performance of the enterprise. In this case, "more" always mean "better", that these groups of factors have a direct impact on the performance of the business model of the enterprise.

Structural factors are not proportionally compared with those of the enterprise, that is, for each of the structural factors "more" does not always mean "better." These

groups of cost form factors affect the overall cost. The effects of optimization in this case are not achieved due to changes in the cost, but due to efficient use of farm resources and accelerate their turnover.

In our view, in commodity market saturation the function cost form factors have a strong influence on the dynamic performance and success of the business model of the enterprise.

An important function of managing cost component of a business model is an economic analysis of the totality of costs. The results of this analysis are an information basis for identifying possible areas of cost optimization. The analysis based on accounting and internal reporting is established causes and determined the factors that caused the negative trend deviations from the desired values. However, as shown by our study [3,4,6,9] existing methods for cost analysis in the majority aimed at efficient cost management for the whole enterprise and do not include expenses capacity of specific business processes. This complicates the implementation of cost control under cost and complicates the implementation of business models in practice.

To identify and assess the feasibility of the cost on the stage of their appearance in order to optimize their overall value necessary to the improvement of approaches to management. This necessitates the transition from domestic enterprises structured approach to cost management process. Application process approach to cost management allows assessing their relevance within business processes. Given the fact that each business process is oriented on providing performance output, its implementation is to create value for internal and external customer's products and services.

The transition from the structured approach to process design enhances business model based on the combined use of methods of Value Cost Analysis (Activity-Based Costing), methods of cost accounting for the stage of product life cycle (Life Cycling Costing), value chain analysis and others [3, 4, 6].

The advantage of the process approach in the framework of ABC-method is the ability to control costs through process management. At a time when traditional methods of cost accounting (Absorption Costing and Direct Costing) can only just detect the main trends and provisions to reduce costs [11].

Organic feature of ABC is to support decision-making. Due to this, recent years have increasingly used abbreviated ABC / M (Activity Based Costing / Management - accounting and cost management based on key performance indicators). Based on ABC / M may be determine by which costs are transfer, and therefore how to influence them [6].

To construct a hierarchy of cost should be used concept of drivers.

We understand driver is a process, a physical parameter or economic indicator, based on factors which may determine the impact on the value of certain features within the overall business model of the company. Hierarchy of drivers in the system ABC / M is shown in Fig. 2.

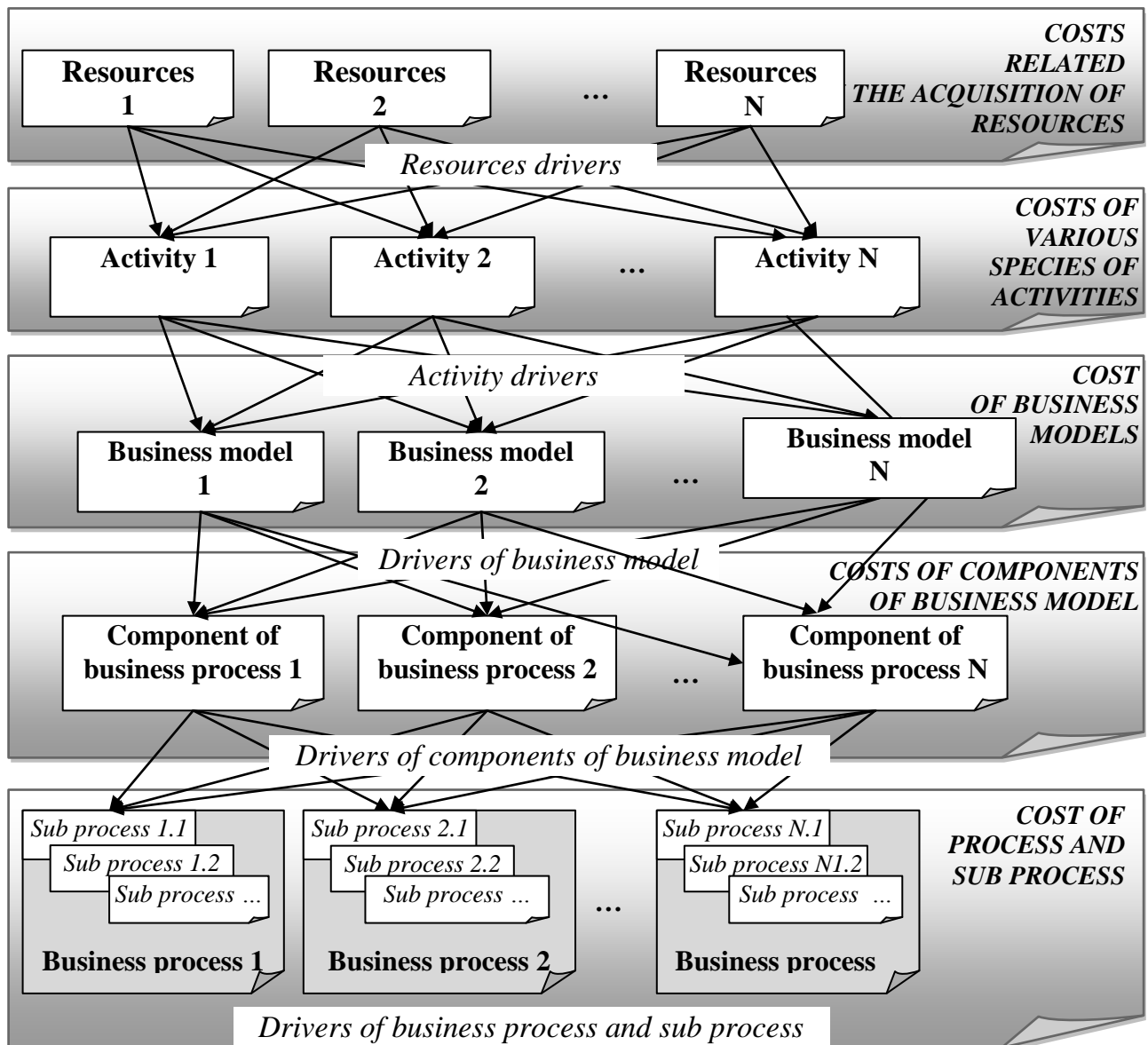


Figure 2 - Hierarchy of drivers (factor cost) in accordance with the system of ABC / M -Technology [by author]

Driver of resources associates as a particular type of business resources consumed and quantitatively describes the consumption of a certain type of this resource.

Driver of activity requires quantitative description and is an indicator that directly affects the formation of the total amount of costs.

Driver of business model is an indicator that characterizes the overall flow meter container business model of the enterprise.

Driver of components of the business model - is a figure that divides the total cost business model for its components.

The driver of business process - is a generalized index, physical phenomenon, object, which leads to costs. The driver of business process requires quantitative description; it says presence in the business process costs.

Each driver of resource is quantified and subject to any driver of activities, each of the activities subject to any driver of business model, which is subject to certain

driver of component which, in turn, is subject to the driver of sub process and business process.

It should be noted that the cost grouping under the business process is not equivalent to the cost grouping of their places of origin. Since some functions of management (planning, analysis, control, etc.) can be performed in several divisions, and several business processes take place simultaneously in some components of the business model.

Table 1 shows the general form of the relationship between business processes and cost centers for each component of the business model.

Table 1 - Distribution of business processes components of the business model

Business process (BP_i)	Components of business process of enterprise (K_i^{BM})								
	K_1^{BM}	K_2^{BM}	K_3^{BM}	K_4^{BM}	K_5^{BM}	K_6^{BM}	K_7^{BM}	...	K_N^{BM}
1. Management business process (BP_U)									
BP_{U1}		+	+		+		+		
BP_{U2}	+		+	+					
...									
BP_{UN}									
2. Basic business process (BP_O)									
BP_{O1}	+	+	+		+				
BP_{O2}		+		+			+		
...									
BP_{ON}	+		+	+	+				+
3. Providing business processes (BP_Z)									
BP_{Z1}	+		+		+	+			
BP_{Z2}		+		+					+
...									
BP_{ZN}		+	+				+		+

"+" - indicates the subordination of costs driver of business process to the driver component of business model.

Accordingly, for the formation of each component of business model requires certain resources, based on the total value of which is determined by the total cost of development of i -component of business model (Table 2).

In the context of strategic cost management effective management is achieved with consistency of cost form factors to customer value. This means that the costs that relate to the components of the business model (K_i^{BM}) reasonable and justifiable only when enhance customer value. In any other case, the costs of individual components of the business model should be reduced to zero.

Table 2 - Distribution of resources by component of business model of the enterprise

Components of business process of enterprise (K_i^{BM})	Cost of recourses (Vr_i)							Total cost of development of i-component of business model
	R_1	R_2	R_3	R_4	R_5	...	R_N	
K_1^{BM}	v_{11}	v_{12}	v_{13}	-	v_{15}	...	v_{16}	V_1
K_2^{BM}	v_{21}	-	v_{23}	v_{24}	-	...	v_{26}	V_2
K_3^{BM}	v_{31}	v_{32}	v_{33}	-	v_{35}	...		V_3
...
K_N^{BM}	v_{N1}	v_{N2}	-	v_{N4}	v_{N5}	...	v_{Nl}	V_N

In matrix form, this statement can be represented as a matrix (Figure 3).

<i>Does the i-th component of the business model creates more customer value?</i>	<i>YES</i>	B	C
	<i>NO</i>	A	D
		<i>YES</i>	<i>NO</i>
	<i>Does the return on cost of i-component of business model high?</i>		

Figure 3 - Matrix iteration of landscaping expenses "Cost return - Consumer value"

On the basis of the developed matrix is possible the assessment of expendability for each component of business model. According to the matrix components of business models that components which fall in quadrant A should be allocated to products that were sold now. Expendable of business models components that fall in quadrant D should be considered in terms of improving their cost return, and eventually they should be classified in quadrant A.

Expendable components of business models that fall in quadrant C, should be reduced to zero. Additionally necessary to explore the possibility of redistribution of costs for components of business models that fall in quadrant B to further enhance return on cost of business model as a whole.

The findings of issues and recommendations for further research. The offered approach for determining factors of appearance cost, based on the relationship of drivers under ABC / M-technology, allows for the process of cost form factors and assesses each component of business model. This creates a knowledge base for structure of business model cost in order to optimize them.

The difference between the proposed approach to optimizing costs of business models from existing one is: first of all - the formation of a new level of transparency and manageability of business is not just on the level of financial and economic indicators, but also at the level of each business process, and secondly - promotes

business performance through a comprehensive analysis and objective evaluation of cost form factors for each component of the business model, thirdly, to evaluate the feasibility and cost *i*-component of business model in the context of the need to create additional value, in the fourth - provides a realistic assessment of prospects of the company.

A prospect for further research in this area is the testing of the proposed approach in practice.

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