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COMPONENTS OF GENERATING ENTERPRISE VALUE AND ITS BUSINESS VALUATION IN THE PRESENT MARKET CONDITIONS

The article is devoted to the problem of determining the components of enterprise value and its business valuation. The methodological approaches to forming influence on enterprise value in the present market conditions are considered in the article. Strategies of enterprise value management in the present market conditions are given.

Key words: enterprise, business of enterprise, enterprise value, enterprise's business valuation, expectations, interested persons.

It is known that in the present market conditions owners and co-owners of enterprises as well as other stakeholders who have investment interest in enterprises don't fully understand in what way and with what components enterprise value and its business valuation are generated. In these conditions determination of the main influential components in generating enterprise value and its business valuation is very topical.

Some of the main components which generate market value of an enterprise and its business in the present market conditions are enterprise revenue, its profit as well as efficiency indicators of employing assets and expectation. At the same time topicality of research of interrelations between the defined components and determination of strategies and technologies of their further implementation directed at managing enterprise value and value of its business is increasing. All this will give the possibility to get maximal benefit for owners of the enterprise as well as other stakeholders.

Research of the components generating market value of an enterprise and its business in the present market conditions supposes implementation of appropriate critical analysis of the current scientific developments of foreign and national scientists. The problems

of assessing enterprise value and implementing business valuation found reflection in the scientific works of a number of foreign and national researchers such as V.V. Bochrov [1], S.V. Valdaytsev [2], T.V. Momot [5], Sh. Pratt [7], Rees Richard P. [9], V.N. Sokolov [11], Ch. Frank [13], V.A. Shcherbakov [14].

The scientists in their works touched upon the problems concerning determination of the ways of company value assessment. But the derived results don't reflect influence of the existing components of enterprise value and its business valuation as well as impact of these valuable components on generating market value of an enterprise and its business in the present market conditions fully enough.

The goal of this work is to determine valuable components of enterprise value and its business valuation in the present market conditions as well as provide theoretical justification of methodological approaches to determining the impact of interaction of these valuable components on enterprise value and its business valuation in the present market conditions taking into account alternative ways of enterprise use, liquidation of its business or whole liquidation of the enterprise.

It is known that implementation of different actions or making operations by agents of market activity needs certain goals. Assessment of enterprise value or its business valuation is also made in compliance with the set goals. Some of the main goals of enterprise assessment or its business assessment are the following [5, 8, 11, 14]:

1. Assessment of stock or stake which is brought in as ownership investment when a new enterprise is set up.

2. Assessment of stake in the enterprises or ownership complexes which are considered as collateral.

3. Determination of maximal acceptable price for the purpose of buying shares of enterprises which are merged.

4. Determination of reasonable value of authorized investment in the enterprise by a venture investor.

5. Determination of reasonable value of the ratio at which shares of different enterprises have to be exchanged when a joint-stock company is reorganized.

6. Value determination of the whole business which is sold out.

7. Business assessment for insurance of business and financial risks or transfer of business for management.

In compliance with the set goals it is necessary to take into consideration that an enterprise is an industrial, economic and property complex which is used for implementation of entrepreneurial activity [14].

If we consider definition of business it is an entrepreneurial activity directed at production and sales of goods and services or other activity which is aimed at getting income. Business is done by a person (legal or individual) that owns an enterprise or manages it [14].

Thereby, business assessment and enterprise assessment are not equivalent actions. It is possible to assess an enterprise without entrepreneurial activity on the certain date. That is, an enterprise doesn't have business at the moment of assessment. But it is impossible to assess business separately from generating enterprise value. In the present market conditions value of business of an enterprise is considered as a component of

additional value of an enterprise. This component has its own constituents.

Hence, we can make a conclusion that in the present market conditions enterprise value is formed by the following components (1):

$$VE = VA_b \pm VA_{nb} + VB \quad (1)$$

where VE – value of an enterprise;

VA_b – value of assets employed in business of an enterprise;

VA_{nb} – value of assets which are not employed in business of an enterprise;

VB – value of business of an enterprise.

It is known that an enterprise while doing business buys material, financial, labour and other assets which are not employed completely in its activity. Market value of these uncommitted assets can considerably differ from its balance value. High liquid uncommitted assets have higher value and add to value of an enterprise. Low liquid uncommitted assets, at best, don't add to value of an enterprise. At worst, low liquid uncommitted assets will be reducing value of an enterprise.

Moreover, value of business of an enterprise has its own components which are formed on basis of such characteristics as (2):

$$VB = RE + OP + EEA + Exp \quad (2)$$

where RE – revenue of an enterprise from its business;

OP – operating profit of an enterprise from its business;

EEA – efficiency of employment of assets in business of an enterprise;

Exp – expectation of the results of doing business of an enterprise.

Thereby, enterprise value is not simply a sum of value of assets and value of business. Components of enterprise value can be objects of management of their value. So value management can be implemented through an appropriate organizational and economic mechanism of enterprise value management. With the help of this mechanism development of strategies for managing enterprise value and its business valuation becomes possible. Achievement of the goals which will be set within the defined strategies will

be implemented due to development and realization of appropriate policies and technologies.

Thus, in the functioning of the appropriate organizational and economic mechanism of enterprise value management the author offers the following strategies:

1. The strategy of increasing value of business assets.

2. The strategy of increasing value of excessive assets.

3. The strategy of increasing revenue of an enterprise.

4. The strategy of increasing profit of an enterprise.

5. The strategy of increasing efficiency of employing assets of an enterprise.

6. The strategy of making appropriate expectation.

The strategy of increasing value of business assets supposes increasing value of business assets which are employed in business due to increasing its functional possibilities. It can be done with the help of restructuring or updating and modernization of these business assets. Updating and modernization need investment that itself increases value.

The strategy of increasing value of excessive assets is directed at increasing value of these assets. This strategy supposes disposal of excessive assets and neutralization of the possible negative impact of these assets on business value.

The strategy of increasing revenue of an enterprise from doing business has direct correlation with enterprise value. The proposed strategy supposes usage of policies and technologies which increase revenue of an enterprise due to increased sales volume and appropriate pricing.

In the market conditions an enterprise does business, gets revenue but, possibly, does not make profit. In these conditions the strategy of increasing profit of an enterprise from doing business has direct influence on enterprise value. Within the offered strategy the level of profit has dependence on policies and technologies which are connected with impact on commercial expenses, administrative expenses, general burden and production

price. Also in these conditions tax policy and technologies decreasing tax burden have essential effect on the amount of profit.

The strategy of increasing efficiency of employing assets of an enterprise uses policies and technologies directed at increasing efficiency of employing fixed assets, inventory, accounts receivable and accounts payable.

The strategy of making appropriate expectation is directed at a stakeholder and supposes impacting on enterprise value and its business in compliance with the amount of economic benefits which are expected by the stakeholder with ownership, disposal and utilization of an enterprise or its business. Implementation of this strategy supposes very active use of information and communication policies and technologies which are directed at external and internal environment of an enterprise as well as at appropriate consumers of these information and communication products.

For instance, it is possible to increase the level of expected benefits with the help of the following information:

- participation of an enterprise in national and international specialized exhibitions and other appropriate public events;
- participation of an enterprise in open and closed competitions and tenders;
- winning of an enterprise in open and closed competitions and tenders;
- presence of information campaigns related to successful execution of orders which were got as a result of winning in specialized open and closed competitions and tenders;
- information promotion of responses from reputable persons about successful execution of the orders;
- presence of free access to public statements which reflect financial and economic state of the enterprise;
- presence of certificates of the ISO quality standards which were got by the enterprise.

The approaches offered by the author give possibilities to impact on enterprise value and its business valuation in the present market conditions.

The main goal of such research is determination of the components of enterprise

value and its business valuation as well as determination of methodological approaches to management of enterprise value taking into account the basic goal which potential and real owners of an enterprise would like to achieve. The higher probability to achieve expectations of stakeholders is, the higher the level of enterprise value and its business is considered to be.

Integrated use of the offered strategies and approaches gives possibilities to implement management impact on enterprise value and its business valuation with maximal efficiency.

Development of appropriate policies and technologies for implementation of the offered strategies which will be used within the organizational and economic mechanism of enterprise value management in the present market conditions and filling this mechanism with appropriate components are possible further directions of this scientific research with the subject which is topical and prospective.

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Статтю присвячено проблемі визначення складових вартості підприємства та його бізнесу. У статті розглядаються методологічні підходи до формування впливу на вартість підприємства в сучасних ринкових умовах. Запропоновано стратегії управління вартістю підприємства в сучасних ринкових умовах.

Ключові слова: підприємство, бізнес підприємства, вартість підприємства, вартість бізнесу підприємства, очікування, зацікавлені особи.

Статья посвящена проблеме определения составляющих стоимости предприятия и его бизнеса. В статье рассматриваются методологические подходы к формированию влияния на стоимость предприятия в современных рыночных условиях. Предложены стратегии управления стоимостью предприятия в современных рыночных условиях.

Ключевые слова: *предприятие, бизнес предприятия, стоимость предприятия, стоимость бизнеса предприятия, ожидания, заинтересованные лица.*

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