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## **БЕНЧМАРКІНГ ЯК МЕХАНІЗМ АДАПТАЦІЇ СІМЕЙНОГО БІЗНЕСУ УКРАЇНИ ДО УМОВ МІНЛИВОГО СЕРЕДОВИЩА**

У статті визначено сутність бенчмаркінгу, історію виникнення, етапи розвитку, сфери застосування. Доведено, що механізм бенчмаркінгу є дієвим інструментом адаптації сімейного бізнесу, зокрема українського, до умов мінливого середовища та сил впливу (екологічних, політичних та органічних). Сфокусовано увагу на порівняльному підході, який забезпечує еталонний та рейтинговий бенчмаркінг відповідно до його цільового призначення. Наведено перший рейтинг Forbes найбільш успішних сімейних бізнесів України за 2014 рік, у створенні якого було застосовано метод бенчмаркінгу. Ознайомлено із роботою European Commission в питаннях сприяння розвитку сімейного бізнесу та поширенню хороших практик, які знайшли своє відображення у дослідженні «OVERVIEW OF FAMILY-BUSINESS-RELEVANT ISSUES: RESEARCH, NETWORKS, POLICY MEASURES AND EXISTING STUDIES». Запропоновано розробити методологію бенчмаркінгу сімейного бізнесу, ввести поняття «бенчмаркінг бенчмаркінгу», створити Національне агенство з бенчмаркінгу в Україні.

**Ключові слова:** сімейний бізнес, сімейний бізнес в Україні, бенчмаркінг, бенчмаркінг сімейного бізнесу, адаптація сімейного бізнесу

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## **БЕНЧМАРКИНГ КАК МЕХАНИЗМ АДАПТАЦИИ СЕМЕЙНОГО БИЗНЕСА УКРАИНЫ В УСЛОВИЯХ БЫСТРО МЕНЯЮЩЕЙСЯ СРЕДЫ**

В статье определена сущность бенчмаркинга, история возникновения, этапы развития, сферы применения. Доказано, что механизм бенчмаркинга является действенным инструментом адаптации семейного бизнеса, в частности украинского к условиям меняющейся среды и сил влияния (экологических, политических и органических). Сфокусировано внимание на сравнительном подходе, который обеспечивает эталонный и рейтинговый бенчмаркинг в соответствии с его целевым назначением. Приведено первый рейтинг Forbes самых успешных семейных бизнесов Украины за 2014 год, в создании которого был применен метод бенчмаркинга. Ознакомлено с работой European Commission в вопросах содействия развитию семейного бизнеса и распространению хороших практик, которые нашли свое отражение в исследовании «OVERVIEW OF FAMILY-BUSINESS-RELEVANT ISSUES: RESEARCH, NETWORKS, POLICY MEASURES AND EXISTING STUDIES». Предложено разработать методологию бенчмаркинга семейного бизнеса, ввести понятие «бенчмаркинг бенчмаркинга», создать Национальное агенство по бенчмаркингу в Украине.

**Ключевые слова:** семейный бизнес, семейный бизнес в Украине, бенчмаркинг, бенчмаркинг семейного бизнеса, адаптация семейного бизнеса

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## **BENCHMARKING AS A MECHANISM FOR ADAPTING THE FAMILY BUSINESS IN UKRAINE TO A CHANGING ENVIRONMENT**

The article defines the essence of benchmarking, the history, stages of development, the scope of application. It is proved that the mechanism of benchmarking is an effective tool of adaptation of the family business, including Ukrainian, to the changing environment and impact forces (environmental, political, and organic). Focused attention on the comparative approach, which provides reference to the rating and benchmarking accordance with its

purpose. The first Forbes ranking of the most successful family businesses of Ukraine for 2014, the creation of which was used benchmarking method. Familiar with the work of the European Commission in the promotion and development of family businesses and dissemination of good practices, which are reflected in the study «OVERVIEW OF FAMILY–BUSINESS–RELEVANT ISSUES:RESEARCH, NETWORKS, POLICY MEASURES AND EXISTING STUDIES». A benchmarking methodology to develop the family business, to introduce the concept of benchmarking benchmarking" to establish, a National Benchmarking Agency in Ukraine.

**Keywords:** family business, family business in Ukraine, benchmarking, benchmarking family business, adaptation of the family business

**Formulation of the problem.** The recognition of Ukraine by the European Council in December 2005 as a market economy, accession to the World Trade Organization and Association Agreement with the EU (which confirmed the civilizational choice of the state) and the presence of the occupied territories - the main factors of search and crystallization of innovative forms and methods of conducting of economic activities. The family business, existing in the world for hundreds of years, making a significant contribution to the economy of their countries, demonstrating the long-term stability, integrating the local community and promoting environmental and social responsibility and integrity, cultivating family and corporate values. According to Forbes for 2014 – 85% of the family European companies generate 70% of GDP, providing 60% of jobs for the 114 million citizens. Respectively, 5.5 million family companies in the US produces 57% of GDP, using two-thirds of the workforce, opening 80% of new jobs. Family business in Ukraine is quite young, established in the first years of independence, which is managed by the first generation of owners. In 2014 the Ukraine's richest families earned more than 100 billion USD. [1].

Analysis of the previous research and publications. As to General economic aspects of the development of the family business, it should be noted a large number of publications on this problemati Kelvin E. Gersick, John A. Davis, Marion McCollom Hampton and Ivan Settlemire, C., Aronoff, S. McClure, D. Vard., R. Shrapnel, A. Drake, R. Tagiuri, J. A. Davis, B. Breeze, A. Gimeno, J. Astrachan, A. Colli, and many others.

The issue of adapting the family business of Ukraine to the conditions that affect it remains relevant and almost unexplored. Only a business that accepts challenges, is able to reformat itself, using among other methods and benchmarking as a powerful mechanism of adaptation will be successful in the long-term development as opposed to companies that ignore the changes and don't use the world's best family and clan practices.

**Objective.** The article is the definition of benchmarking as one of the basic mechanisms of the process of adapting Ukrainian family business to global trends in the development of entrepreneurship.

**Methods.** The author used the systematic method, in which the family business is considered as a complete dynamic system, methods of theoretical generalization and comparison, analysis and synthesis.

**Results.** The study identified and singled out possible ways of benchmarking exercises for the development of family business in Ukraine and conducted a comparative analysis in comparison with the situation in Europe and the world; it identifies internal and external problems hampering the development and efficiency of family entrepreneurship in Ukraine.

**Scientific novelty.** For the first time reasonably benchmarking as a tool of adaptation of the family business in the conditions of market economy, adapted to Ukrainian realities and improved semantic content of the study state and problems of development of family entrepreneurship in Ukraine.

**Practical value.** The results obtained should be taken into account, especially Ukrainian family companies and organizations that represent them during the identification of directions

of improvement of State Service of Ukraine for regulatory policy and entrepreneurship development, the development of a national programme of support and development of entrepreneurship in 2017 and subsequent years.

**Presenting main material.** A system is a set of components and the relations between them and the main system in this thesis is the business family system. The components in this system are the individual business family members, and they are related to each other in two different ways. Firstly, they are members of the same family system, and secondly, they are members of the same business system. In that respect, the business family can be categorized as a subsystem of the family business system. One can also argue that the family business is the system environment for the business family system, and then one key challenge in studies about family business transfer is to determine what happens with the business family system when the system environment changes.

The changing market environment requires adequate adaptive reactions of the economic sector of the country, including system of the family business. To one of the most effective tools we offer include adaptation and benchmarking, a mechanism that, in our opinion, is able to achieve the goals.

The term "benchmarking" is interpreted as "expert standard" and comes from the English word *wepsic*, which was first used the Institute of strategic planning Cambridge (USA) in 1972. The basic principle of benchmarking: to be effective - must constantly compare your company with the best practices of competitors.

In the 70 years of the 20th century. benchmarking was focused on the product, the 80s are characterized by the development of competitiveness and are held under the deepening scientific research aspect of the method, the 90s is aimed at studying strategies beginning of the 21st century. – internationalization, globalization, internationality [2, P. 12].

In 1994 was established a Global Benchmarking Network (GBN) as a community of legally independent organizations and experts who focus on promoting and facilitating the use of benchmarking and sharing of best practices, helping each other in cooperation. Today GBN has 27 benchmarking centres in 22 countries [3].

There are raneman approaches to the definition of "benchmarking". According to Camp Robert C. – benchmarking – continuous process of comparing products, services and practices with similar powerful competitors or companies that are recognized leaders in the industry [4].

Harrington H.J., Harrington D.S. consider benchmarking ongoing process that discovers, examines and evaluates all the best in other organizations to use knowledge in the work of the organization [5]. There are various models benchmarking the world's leading companies, and, perhaps, we can talk about benchmarking benchmarking. Noteworthy benchmarking model of the company "Xerox", model "Wheel of benchmaking, R. Camp, M. Brighton model ("General motors") and others.

For example, the model M. Brighton (General motors) family company, involves four sequential steps: understanding of the details of internal processes, analysis of processes of other companies, comparing the results of their processes with the results of the companies analyzed, the introduction of necessary changes to reduce the difference [6].

The comparative function of reference method to provide a rating and benchmarking according with its purpose.

The first Forbes ranking of the most successful family businesses of Ukraine for 2014, which was the method of benchmarking.

The first Forbes ranking of the most successful family businesses of Ukraine for 2014, the creation of which was used benchmarking method.

Consolidated revenues of all companies belonging to family business, in 2014. The Forbes.

In accordance with the tasks faced by companies are:  
internal benchmarking;

benchmarking, focused on the competitors;  
 functional benchmarking;  
 benchmarking process;  
 strategic benchmarking;  
 global benchmarking;  
 permanent benchmarking.

Tabl.1

## Family rating of Ukrainian companies for 2014 (according to Forbes)

	Family	The main asset	Industry	Year of established	Revenue, billion national currency units (grn.)
1	Alex and Vadim Vadatursky	«Nibulon»	Agro-industrial complex (AIC)	1991	22.76
2	Gerega Alexander and Galina	«Epitsentr»	Retail	2003	22.41
3	Berezkyini Stanislav Maxim	Group «Kreatyv»	AIC	1991	7.28
4	Bakhmatyuk Oleg, Natalia Vasilyuk	«Avangard»	AIC	2003	6.13
5	Anatoly Jurkiewicz and Olga	«Mlkiland»	Food	1994	5.82
6	Dehody Andrew Alexander	«ERC»	Retail	1995	5.8
7	Boris and Mikhail Muzalevi	«Tavria B»	Retail	1992	4.97
8	Taryz Vakhtang, Nina Vasvdze	«UkrAuto»	Autoretail	1992	4.36
9	Atanas Basil and George	«Centravis»	Metallurgy	2000	3.48
10	Landyk Valentine and Andrew	«North»	Machinery	1993	2.79
11	Dzhurinsky Vitaly, Oleg, Alexander	«ViDi Group»	Autoretail	1992	2.73
12	Evgeniy and Marina Segal	«Agromars»	AIC	1998	2.34
13	Chechetkin Vladislav and Irina	«Rosetka»	Retail	2004	2.20
14	Gregory and Dmitry Derevytski	«Allo»	Retail	1998	1.58
15	Peter Rud, Oksana and Sergei Vyvskyk	«Rud»	Food	1998	1.38
16	Zahoryn Vladimir and Gleb	«Darnitsya»	Pharmaceuticals	1994	1.20
17	Evgeniy and Olga Kutsenko	«Oikom»	Food	1996	0.92
18	Veretennikov Victor and Andrew	Plant «Pridneprovsky»	Food	1990	0.70
19	Alexander and Sergey Hlimbovski	«Altis-Holding»	Construction	1995	0.61
20	Alexander Davtyan, Dmitry, Karina	«DAD Investment Group»	Real estate	1986	0.58

Thus, to decide the content, method, form benchmarking adaptations necessary to identify the components, power market conditions that affect the management of the family business. Concerning the content of the benchmark studies, they will respond to the semantic content of the force influence.

The forces for the organizational change come from both internal and external, Kanter, et. al. [7], suggested the forces that characterized the dynamic of organizational changes. He categorized these forces into three clusters, which are the environmental forces, the political forces, and the organic forces. The environmental forces can be viewed as the external forces to the firm, which mean the firm cannot directly control these forces. The political forces and organic forces are viewed as the internal forces caused by the firm itself. All these forces can affect the company's relative competitiveness, value and wealth, and thus the longevity of the organization.

**Environmental Forces.** The environmental forces include all external forces such as the changes in technology, economy, political structure, and competitive environment due to globalization. For example, the technological improvement alters customer expectations because it offers new way to create and deliver value. Deregulation allows new players with totally different business models enter in the market. These forces can reduce the relative competitiveness of the firms to their rivals, thus affecting their value and wealth.

**Political Forces.** These forces are the forces within the organization. Due to the differences in priorities, and interests, the interplays of individual groups within the organization can reduce the ability to react to the changes, and also Impact the longevity of the firm. Managing political forces in family businesses is much more complicated than that of non-family owned companies because non-family-owned enterprises have only 2 components, business and ownership; while family-owned enterprises have 3 intersecting components, business, ownership, as well as family.

**Organic Forces.** These forces involve with the internal forces that can be threaten the survival of the firm. For example, small start-up firms may be more entrepreneurial and have higher flexibility; while the mature firms become inflexible, bureaucratic and too complex to be managed, limiting themselves to quickly adjust themselves to the market or environmental changes.

An apparent example of these forces that affect the family firms is as follow:

When family firms become successful from the dedication and hard working of competent family members, the value and wealth of these firms increase, allowing them to reinvest and grow into the future.

However, the prosperity of the market attracts more players to enter in the game. If the incumbent family firms cannot maintain their competitiveness comparing to the rivalries e.g. the firms become so complex that they cannot be managed properly by family members (organic forces), or if there are far too many conflicts within the organization, reducing the ability of the firms to react to these new entrances (political forces), or if the new players enter the market with new technological improvement or innovation (environmental forces), these new participants are able to provide superior products or services to those provided by incumbent family firms. Therefore, only businesses that can redefine themselves to cope with these changes can achieve long term survival and be able to success over those that cannot.

According to impact forces and problems that arise during their actions in a family business can be considered generalized best European practices.

One of the aims of the project European Commission «OVERVIEW OF FAMILY-BUSINESS-RELEVANT ISSUES: RESEARCH, NETWORKS, POLICY MEASURES AND EXISTING STUDIES» was to identify measures favouring family businesses which are being or have been implemented and have proven to be successful. The outcome of the research carried out was significant.

More than one hundred measures (implemented in the 33 countries surveyed) were singled out. The measures identified are very diverse in the topics they tackle and in the different actors and methods used to implement them.

Ten best practices were selected according to different criteria (e.g. geographic representation of the different countries, type of entity implementing it, problem addressed). They are grouped into the following categories (although some cover more than one issue):

- taxation;
- company law;
- planning business transfers;
- lobbying — policy advice — awareness raising;
- research and dissemination of information;
- promotion of business / management-specific education;
- family governance.

The good practices identified can be categorised as follows:

- Taxation: measures mainly targeting the taxation of reinvested profits and taxation of inheritance/gift tax. Examples of the former are the tax credit for reinvested profits deriving from some activities in Malta, and the reduced income tax applied to a certain amount of earnings kept within specific types of enterprises in Austria. Examples of countries in which inheritance and gift tax have been reduced or eliminated (completely or under certain conditions) are Austria, Belgium, Cyprus, Estonia, Greece, Latvia, Luxemburg, Malta, The Netherlands, Norway, Portugal, Slovakia, Spain and Sweden.

- Company law: regulations mainly linked to facilitating the continuation of family firms (e.g. measures on the continuation of the business by family members in Austria, Luxemburg, and France) and mechanisms allowing additional financing alternatives without risking the general strategic and operational control of the business (e.g. the possibility to establish non-voting stocks, allowed – within certain limits – under Norwegian and Spanish company law).

- Planning business transfers: some countries have developed very specific tools to face this challenge and make owners aware of the importance of planning intergenerational transfers early; some include external advice or allow the entrepreneur to make a self-assessment of the situation of the company. The 'Overdrachtspakket' (transfer package) of the Ministry of Economic Affairs of the Netherlands is a unique example of this kind of measure: when the entrepreneur reaches the age of 55, he/she receives a letter reminding him/her of the importance of planning the transfer, and on the availability of tools included in the package.<sup>18</sup> The 'Succession Scoreboard' of the Belgian Instituut voor het Familiebedrijf is an example of a free on-line self-test which provides a picture of the strengths and weaknesses of a company in relation to the transfer process. The seminars and training provided by the Chamber of Craft and The list of examples presented in each category is non-exhaustive (more examples can be found in the study). More information about these tax systems can be found in page 87 of the study. A detailed description of this measure is available in page 139 of the study. Small Business of Slovenia are also a good illustration of a comprehensive approach covering the different aspects of the problem (e.g. emotional, legal and fiscal). Some interesting projects supporting the transfer of businesses are also being implemented in Italy (such as the Saturno, Reset and Imprender programmes and the Masters for business transfer operators from the University of Macerata).

- Lobbying / policy advice / awareness raising: Some countries have set up expert groups specifically to debate the issue of family businesses, to bring it up the political agenda and to come up with proposals to improve the business environment for family firms. This work has been ongoing for more than 15 years in Norway, with the Family Business Network Forum of the Confederation of Norwegian Enterprises. In Finland, the expert group created by the Ministry of Employment and Economy (2004-2005) produced an operational definition of

a family business. This definition was later adopted by other family business organisations in Europe (and forms the basis of the definition proposed by the experts in this report), and the group came up with key legislative proposals for the family business sector.

- Management / Entrepreneurship / Ownership-specific education: specific family-business-related education is not yet widely available in all countries surveyed. Nevertheless, some academic institutions have produced very interesting initiatives targeting current and future owners/managers of family firms. Some good examples are: the Family Business Academy (organised by the Cyprus International Institute of Management as a module of the Masters in Business Administration), the Master 2 Family Business Governance of the Institut d'Administration d'Entreprise de Bordeaux (France), the «Cattedra AIdAF — Alberto Falck di Strategia delle Aziende Familiari Università» of the Bocconi University (Italy), the Owner's Programme run by FBN Sweden focusing on the challenges and potentials of mastering ownership, and the training programme «Ownership and working in the board» run by the Finnish Family Firms Association, which includes a module in collaboration with the Spanish Instituto de la Empresa Familiar / IESE, which gives participants from both countries the valuable opportunity to have an international exchange of experiences.

- Family governance. Some countries acknowledge the importance of avoiding potential conflict between the family and the business dimensions and have put in place a considerable number of measures. The availability of «governance codes for family businesses» is one of the most common measures in this field. They provide standard solutions that can be used by (and adapted to) any family. A detailed description of this measure is given. A noteworthy example is the «Family Contract» published by the Ankara Chamber of Industry (Turkey), which clearly describes the potential problems family firms may have to face and proposes solutions to mitigate the negative impact of those problems on business continuity. Other countries with relevant practices in the field are Italy, Austria, Belgium and Spain. Another interesting example was found in Spain: some regions (e.g. the regional government of Valencia) provide financial support (to cover the costs of specialised consultants) to companies willing to develop family protocols [8].

**Conclusion.** The study confirms the feasibility of using the categories of "adaptation", "benchmarking" in connection with the study of those economic transformations that are taking place in the family business of Ukraine today.

Thus, benchmarking – the process of systematically finding, study, analysis, implementation of knowledge and best practices, that is, adapting the acquired experience to the specifics of the family business, and then monitor the result is an effective tool in response to external and internal factors of influence on the world family business and, in particular, Ukrainian one, which has its own characteristics.

Implementation of the method of benchmarking:

- used as meganm adaptation to environmental, political and organic forces;
- serves as an information tool to support the adaptation process;
- provides the opportunity for long-term development of family business in Ukraine;
- provides a solution to the problematic issues of the family business, which relate to institutionalization, continuity, values, nepotism, reinvestment, attracting non-family management, etc;
- assists in the comparison of various aspects of the family business both within the organization and outside, at national and global levels;
- methodologically support performance rankings;
- develops methodology for assessing the current state of family business;
- addresses economic, social, environmental strategies family business;
- identify the causes of competitive advantage in family business;
- provides an opportunity to compare the world's best models of family practices: the European, American, Asian and so on.

**Suggestions.** To develop a methodology for benchmarking the family business; to introduce the concept of benchmarking benchmarking; to establish the National Agency for benchmarking; to publish and present the " history " of a successful family business; use the experience of the best benchmarking agents.

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