Motivation and enterprise restructuring mechanisms with trade-economic indicators consideration

Amid Russian market-oriented economy, which is marked by production recession and significant part of unprofitable enterprises, there is a pretty topical problem of improving companies' financial and economic situation in the way of there restructuring. Industrial restructuring involves companies' actions about breaking differences between there current performance characteristics and those needed in case of being competitive both domestically and internationally. Factors, which determine the competitiveness, vary depending on industry sector.

There is a point in the necessity to combine active and passive factors when working out SWOT analysis and problems of managing companies' debts.

The essence of the SWOT analysis is to find such management and transmission policy for company's current condition (that is characterized with certain economic and financial indicators), which leads the company's economic system to the condition when its economic characteristics meet determined requirements (particularly, competitiveness).

The difficulty in the proper management policy determination is resulted by the multistep, multilevel restructuring process, which has certain economic conceptions-based risks (that is typical for the complicated multilinked system).

There are time-consuming pretty accurate methods of simulation modeling, which are used in order to find proper management policies in the restructuring process. Also there are plausible reasoning and inductive inference methods that are less formalized but marking the most important points in the analysis of alternative options, programs, suggestions.

In the author's opinion, financial concept, which is based on company's balance sheet report, is the most appropriate one. In this case, some methods are oriented on the "assets" (that means changes on the assets side of the balance sheet) and other methods are oriented on company's "liabilities" or "equity". A lot of restructuring operations go well together with opposite operations. The proper restructuring methods are dependent on strategic analysis and profitability of company's different kind of activities.

The majority of restructuring methods may be considered as conversion between or inside of three categories. These conversion methods may be classified as direct and indirect.

Thus, the increase of debts in company's capital structure may raise its profitability as well as pull it into loss. Consequently, the debts increase may indicate profit as well as loss for new owners who bought the company with borrowed assets.

The combination of different restructuring mechanisms may be used for separation of certain assets and production processes. Accordingly, foreign investors and company employees have a chance to pass the affiliated company. Within hereinabove transaction the parent company keeps a share in the affiliate's stockholder's equity.

Thereupon, it's necessary to consider different property-related stimulating mechanisms, which may speedup the restructuring process. Such mechanisms may be used for restructuring motivation as the initial phase. Also they may generate motivations, which result active owners on company's level.

The next step is the shares purchase plan with the use of debts. Instead of slow shares redeem, let's say during four years, the manager needs to make a first payment as 10-30% of total shares stock cost, and the company provides financing support for the rest 90-70% of shares. Than during next four years the manager needs to pay out 10-30% of the total shares stock cost yearly. If shares gain price, the manager gets profit in the way of the margin (considering 100% share stock). In the worse case, if shares' price declines 10-30% during the first year, all shares will be confiscated by the company and the manager will carry loss (100% of the first payment). If shares gain 10-30% price, the manager's first payment will gain 100%. These changes, caused by the use of debts turn the plan into the program with super-enhanced financial impact.