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Management Model of Corporate Trade System

Abstract

The *purpose* of the article is to develop a model for managing a corporate trading system and define the principles that ensure its use. *Methodology*. The research methodology is based on the dialectical and systemic approach, i.e., the activities of the components of the business system are considered in their interconnection and interdependence. The methods of multidimensional logic, formalisation, structural synthesis, modelling and scientific generalisation are used to develop the management model of the business system. *Results*. The evolution of the business trading system reflects changes in space and time. It is impossible to change the scale of its activities without introducing managerial and organisational innovations. Corporate management is based on a three-level hierarchical structure: shareholders, board of directors and top management. The effectiveness of corporate management in commerce is determined by the degree of centralisation of management decisions. Corporate management and its senior executives ensure the achievement of the system's objectives, control and plan its development. A unified strategic management centre carries out strategic management of business units and internal coordination of actions, change management, while at the same time giving them the right to independent operational management. Separation of strategic and operational management subsystems allows to create a management system combining strategic objectives and performance parameters. *Practical implications*. The practical results can serve as a basis for further research on ways to improve the strategic and operational management of business units that are part of the corporate trading system, taking into account changes in the internal and external environment. *Value/Originality*. The proposed model of corporate trading system management allows to better understand the essence of the management process, provides strategic management of their activities from a single strategic management centre and gives the right to independent operational management.

Keywords
corporate trade system, corporate management, strategic management, change management, operational management, management models

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1 Introduction

The intensification of competition in the retail market has led to the diversification of corporate retail chains and, as a result, to the creation and development of corporate retail systems based on them. The main signs of diversification are the expansion of the product range, the penetration of new areas of activity, the entry into new sales markets, the expansion of geographical markets, etc. The emergence of new business units as a result of diversification should have a positive impact on the profitability of the corporate system, which is impossible without effective management. In the process of transformation of retail chains, their organisational structure and management methods change and, accordingly, it is necessary to develop an effective model of corporate system management.

2 Corporate Trading System

In this study, corporate trading systems are considered as "a set of business units of the same or different types of economic activity that have a single centre for strategic management of their development and a high degree of autonomy in organising commercial activities, which leads to the maximum possible profit as a result of the synergistic effect" (Trofymenko, 2023). Thus, the activities of the structural elements of the corporate system are managed from a single control centre, which directs their work towards the achievement of strategic goals, provides the right to independent operational management, ensures the optimal allocation of all types of resources, controls and coordinates functions regardless of the scale and form of activities and product specialisation. The result of the corporate trading system is to achieve the maximum possible profit through the joint actions of its member companies.

Corporate trading systems have the following advantages: reduction of costs related to the conclusion of commercial transactions; increased access to modern technologies and information; ability to reorient to new markets at optimal costs; reduction of risks by their distribution among the system components; coverage of losses from one type of activity with income from another with an appropriate level of profitability; financial savings related to the ability to raise capital on more favourable terms; management savings due to the use of special management methods (Lisitsa, Totskyi, 2019).

The conglomerate vector of diversification – the expansion of economic activities through the acquisition or creation of new enterprises – plays a crucial role in the formation of business systems in the distributive trades sector. The development of an enterprise system reflects changes in space and time. It grows by expanding its sphere of influence, which manifests itself in the desire to strengthen its presence in other commodity markets in order to achieve economies of scale. Changing the scale of activities is impossible without introducing managerial and organisational innovations.

3 Management of the Corporate Trading System

Corporate governance refers to "the set of relationships between a company's management, board, shareholders and other stakeholders" (OECD, 2015). Corporate governance also provides the framework through which a company's objectives are set, the means to achieve those objectives and the monitoring of results.

The owners of the corporate trading system seek to create a system of relationships that allows them to delegate their powers to top managers and to control them. In this case, a three-tier hierarchical corporate governance structure is formed: shareholders who own the rights of the company; a supervisory board or board of directors, which may be chaired by the owner and has the control function; a top manager with deputies and members of the board of directors. Managers should act in the interests of owners and shareholders and ensure long-term capital growth.

The main components of corporate governance are as follows (Mushkevych, 2021):

– Availability of a strong team of top managers;
– efficiency of the organisational management structure;
– result-orientation, which depends on the specifics of the legislation, form of ownership, governing bodies, and so forth;
– completeness and reliability of the information provided in the financial statements, its monitoring and control;
– culture and corporate ethics.

The efficiency of corporate trading system management is determined by the level of centralisation of management decisions (Table 1).

An effective corporate governance mechanism enhances the profitability of the corporate trading system by introducing proper controls and financial transparency (Pshenychnyi, 2023).

4 Formation of Management Model of a Corporate Trade System

A management model is "an organisational paradigm, or organisational ideology. It is the way in which managers run an organisation." (Birkinshaw & Goddard, 2009)

TABLE 1 Centralisation of management decisions in the corporate system in the trade sector

Advantages of centralisation	Advantages of decentralisation
Improved control and coordination of commercial, technological and other functions	Building an effective management system through decision-making at the local level in the presence of large amounts of information
Reducing the number and scope of decisions made by less experienced and qualified employees	Decisions are made by those managers who are closer to the problem, the consumer and have a large amount of information
Optimal allocation of resources by reallocating funds between divisions in favour of promising areas	Developing staff initiative, improving their skills and enabling them to influence the company's performance
More complete and effective use of the experience and knowledge of top management	Formation of a talent pool of specialists for senior management as a result of their professional development

Source: (Bezpalko, 2013)

Corporate governance models define the ways, methods and principles by which a corporate system is managed. These models are developed to ensure its effective functioning and achievement of strategic goals.

The study has identified the following main models of corporate governance that define various aspects of organisational management:

1. Shareholder model: focuses on satisfying the interests of shareholders who own the company; management is responsible to shareholders for maximising profits and increasing shareholder value.

2. Stakeholder model: the company's management is accountable to all stakeholders, and management is aimed at achieving a balance between different groups of stakeholders.

3. Ethical management model: focuses on the implementation of ethical principles and values in the company's strategy and operations.

4. PDG-model: the main management decisions are made by the company's directors, who have most of the power and control.

5. Team-based model: based on the distribution of authority and responsibility between teams and groups of employees to achieve a common goal, which increases motivation and interaction in the organisation.

6. Innovative model: focused on the use of innovative strategies and approaches to company management to stimulate innovative development to ensure competitive advantage.

Models of corporate governance differ in terms of the composition and structure of the participants in corporate governance, their rights and obligations, the mechanism for interaction, the powers and scope of action of the governing bodies, the obligations to disclose information about activities, and the legal and regulatory framework governing the relationship between the participants.

These models can be combined or adapted to suit the specific conditions and strategic goals of the company.

The formation of a corporate system management model in the field of trade requires the definition of principles that ensure its use. The following have been identified:

– The principle of focus – determines the establishment of clear goals for each business unit and their correlation with the necessary resources;
– the principle of planned management – involves drawing up an action programme and its implementation by executors, coordinating their actions, organising accounting and control over the implementation of the programme;
– the principle of interdependence – the functioning and development of the corporate system is determined by the ratio and nature of the influence of internal and external environment factors;
– the principle of hierarchy – provides for the allocation of management levels and determines the nature of relations arising between subjects and objects of management in the corporate system;
– the principle of synergy is when "any system has such a set of resources that its potential will always be either significantly greater than the simple sum of the potentials of its constituent resources or significantly less" (Monastyrskyi, 2014).
– the principle of efficiency – characterises the performance of business units of the corporate system, which is expressed through the ratio of useful end results to the resources spent over a certain period of time. From a strategic perspective, the effectiveness of business units is ensured by competent management, while from an operational perspective, it depends on the distribution of responsibility for planning goals and their implementation.

Implementation of the above principles of corporate governance is the best form of interaction between participants in corporate relations and delegation of their rights and obligations.

Summing up the study of theoretical provisions, the authors propose a model of corporate system management in the field of trade (Figure 1).

In the proposed model, the strategic bodies of the corporate trading system are the shareholders and the Board of Directors, which set the top management the task of maximising profits. The board of directors is responsible for overseeing the CEO's decisions and ensuring that they are in line with the company's long-term goals. The CEO is the most senior executive of the company and is responsible for making all major business decisions. Top management makes strategic decisions and determines the overall strategy of the company. Corporate management and its senior executives ensure the achievement of the company's goals, control and plan the company's development.

Unified Strategic Management Centre, established within the corporate system management structure, defines the mission and vision of the corporate trading system, sets strategic goals and objectives, analyses the internal and external environment to identify opportunities and threats, as well as strengths and weaknesses. It interacts with top management to implement strategic development directions and allocate resources to key tasks. The Centre provides strategic management of business units, ensuring control and formalisation of relationships and internal coordination. It is important to involve business units in the strategic decision-making process and ensure mutual understanding between the strategic and operational levels.

Changes in the business environment require change management, i.e., identifying the necessary

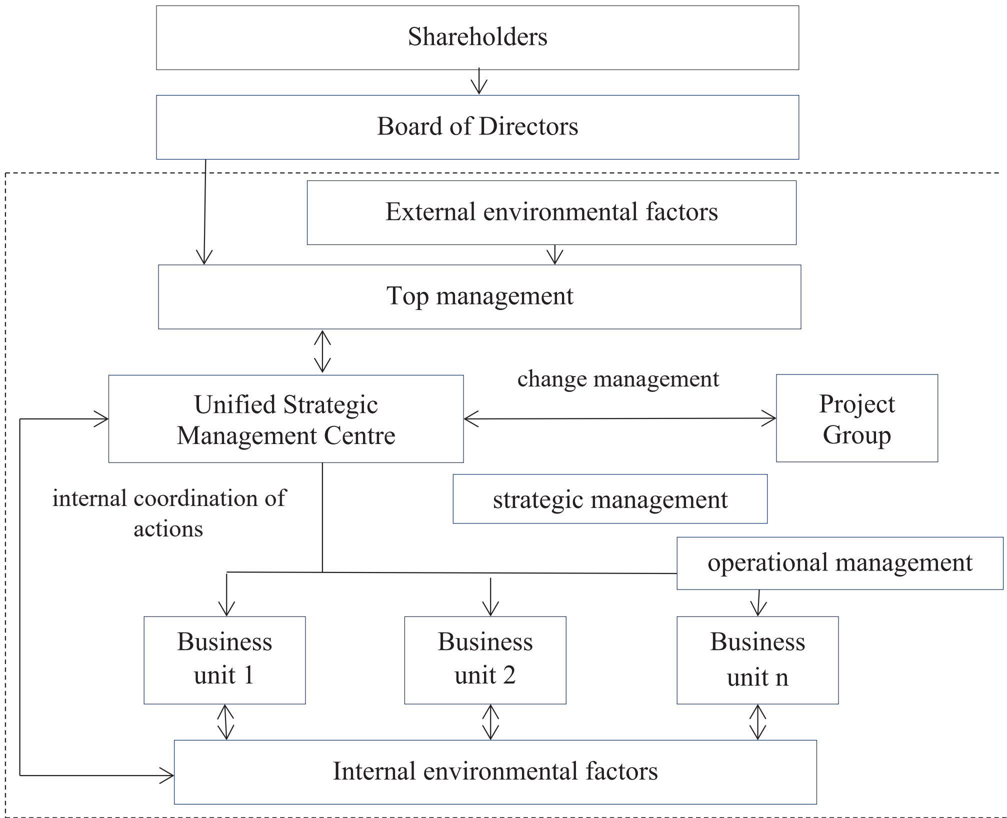

FIGURE 1 Management model of a corporate trade system

Source: compiled by the authors

changes in strategy, processes and structure, minimising the negative effects of change and gaining the benefits of transformation. The established project team works with the Unified Strategic Management Centre to ensure that projects are aligned with the overall strategy, develop project plans that are consistent with the strategy and contribute to the achievement of strategic objectives, and report on project progress and alignment with strategic objectives. The interaction between the Unified Strategic Management Centre and the Project Group helps to ensure that projects are aligned with the strategic goals of the corporate system, and that strategic decisions take into account the opportunities and results of specific projects. It is important to involve business unit management in the process of implementing change.

Separating the subsystems of strategic and operational management allows to form a management system that combines strategic goals and performance parameters, which will guarantee the achievement of the planned financial and economic indicators.

The management of the business units carries out operational management of their activities, which provides for a clear division of roles and responsibilities in the corporate trading system to ensure the effective implementation of their tasks.

This model is aimed at interaction between different levels of management, delineation and establishment of close management links between the subsystems of strategic and operational management.

5 Conclusions

The efficiency of management of the corporate trading system is determined by the degree of centralisation of management decisions. The proposed management model of the corporate trading system provides for the management of business units from a Unified Strategic Management Centre, which directs their activities to the achievement of strategic goals, provides the right to independent operational management.

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