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# **The effectiveness of business management: investments and innovation**

**Collective monograph**

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**The effectiveness of business management:  
investments and innovation**

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Theoretical and applied principles for the mechanism of sustainable development and management of economic systems formation, based on domestic and foreign specifics have been considered in the collective monograph. Specific character of mechanism of sustainable development of economic systems at the state level, sector, industry and enterprise formation has also been investigated. Mechanism of social and economic enterprises' development has been analyzed.

Collective monograph is intended for politicians, scientists, entrepreneurs, teachers, postgraduate students, students and anyone interested in the issues of formation the mechanism of effective regulation of enterprise economic activity.

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# THE INNOVATIVE APPROACH TO THE MANAGEMENT OF THE ENTERPRISES IN RESTAURANT BUSINESS

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**Problem.** The modern practice of pursuing any economic activity shows that enterprises in order to strengthen its competitive positions in the market and develop a viable development plan, very often have to resort to some innovative changes. This, and the need to ensure the transition of economy of Ukraine to implement the model of research and innovative development, determines the feasibility study of the problems of creating the preconditions for implementing of effective innovation in Ukrainian companies, including those whose activities directly or indirectly related to the restaurant economy.

**Analysis of recent research and publications.** The problems of innovative technologies appear in many publications, both domestic and foreign researchers. Among foreign scholars the problem was considered by Schumpeter, G. Less Tvis B., C. Freeman, R. Foster, A. Klyaynkneht, E. Mansfield, R. Waterman, A. Anchishkin, S. Ilyenkova, A. Prigogine and others. In Ukraine, the issues of innovation development at the level of enterprises and the economy as a whole were engaged Y. Bagial, V. Vasilenko, V. Geets, B. Hrinov, S. Illyashenko, N. Krasnokutska, I. Pavlenko, L. Fedulova and others. Recently, some aspects of innovative development of the restaurant industry and evaluation of the effectiveness of innovation policy of enterprises of this kind of activity were covered in the writings of G. Pyatnitskaya, A. Grigorenko [7] A. Borisova [2]. However, a comprehensive study of innovative changes that impact the management of the restaurants and their implementation has not yet been conducted.

**Problem.** The main purpose of this study is to identify innovative changes that affect the development of the restaurants, and the development of guidance on the selection of the most suitable for various types of enterprises and its innovation implementation in management of the restaurants.

**According to the set goal, several tasks, were determined.** Firstly, classifying innovations reveal their preferences in terms of development of the restaurants and to develop and justify recommendations for their implementation in these enterprises, and secondly, to clarify the nature of the concept of "innovation in the management of the restaurants" and thirdly, to define the features of the implementation of these innovative technologies in the activity of enterprises.

The main material of the study. For the first time in the literature the concept of "innovation" was used as early as 1912 by Schumpeter in his book "The Theory of Economic Development" [13]. Under this concept, which Schumpeter called "new combination" was developed as a new understanding of the means of production that is not achieved through minor improvements of old equipment or existing organizational system but appears through the introduction of new production facilities or systems of its organization. Now the concept of "innovation" (from

English. «Innovation» - innovation or the introduction of something new) applies to all changes in the production, research, financial, administrative and other activities of modern enterprises.

Referring to the previously existing development, and given the specific activities in the restaurant business, we consider it appropriate to analyze all of the innovation in this field under three angles:

- 1) in terms of the entire enterprise restaurants (including its products and policies for its promotion in the market, format development, etc.);
- 2) in terms of individual business units, where innovations are implemented;
- 3) in terms of the possibilities of introduction of some innovation in enterprises of different types and its accessibility to ordinary citizens.

Enterprises restaurant industry in general are subject to a variety of innovative changes (sometimes close to the radical in terms of all enterprises restaurants, such as the format of "Festival restaurant", and sometimes those which are called "retro" innovation, such as , organization tables "diet"). But not all innovations can be implemented or even feasible for companies depending on their type and affordability for consumers. For example, in closed chain restaurants that organize food at their place of work or study it is impossible to realize any innovation with the introduction of services such as hookahs or "Cork-fi" (from English. Cork fee), when the consumer brings wine with him, and waiter uncorks the bottle at the table.

Unjustified, primarily because of unprofitability is in the public network innovation associated with the organization of tables "diet," especially when it comes to institutions restaurants such as "restaurant" and "bar" classes "luxury" and "higher."

Based on the results of our study, we propose to use the following methodical approach to selecting the most appropriate for the company restaurant industry innovations, including the type and availability to consumers:

- 1) Classification of innovation for their uniqueness and internal capacity of an institution to implement a restaurant business innovation in specific environmental conditions. We recommend to use a special matrix "Uniqueness - Internal feasibility of application of innovations in the enterprise";

- 2) "screen out" those innovations that are inappropriate and unacceptable to implement for companies of a particular type of restaurant facilities and accessibility for consumers;

- 3) selection of innovations that can be implemented, and to determine the advantages and disadvantages for selected companies of a specific type of restaurant facilities and access for consumers. In the case when the innovation is simulated, that is new to the company or a market, but not in the restaurant business as a whole, as a basis for the evaluation of advantages and disadvantages are data on the implementation of innovations in other institutions restaurants. When talking about a completely unique innovation, based on the strengths and weaknesses we recommend to use forecast data or data based on expert opinion of specialists;

- 4) evaluation of the risk of loss and the beneficial effects of innovation in the company restaurant industry by positioning matrix "Risks of losses - Expected useful effect";

5) final determination of directions of innovative changes in a specific enterprise restaurant.

Today there are a huge variety of changes in the restaurant business enterprises in the development process. However, innovation occurs only in those enterprises where the purposeful change which is chosen as the direction of development, with fixed results, which should have certain changes, and provided all the conditions under which the process of changes takes place the most effectively. In this regard, any innovation in enterprise management system must be prudent and thoughtful. As showed the results of our studies, in Ukraine in the way of effective implementation of innovation in enterprises restaurants, there are some problems, primarily qualification inadequate to implement innovations of personnel, lack of financial motivation and low financial resources of the whole enterprise, resistance of the staff of the enterprise to innovations which in its turn lengthens the time of its implement.

Exploring more detailed the aspects of innovation in the management of the restaurants, it is worth noting that in the literature so far there is no unambiguous interpretation of the concept of "innovation in enterprise management system." For example, L. Prokopyshyn [6] defines management innovation as a change of content features, technology and the organization of the management and administrative staff working methods that increase the efficiency of enterprise under uncertain impact of environmental factors on it by the use of competence management and the use of new information technologies. Along with this, L. Chernobay and P. Kyshenia [10] offered to consider the term "innovation management system" set of implemented and improved organizational and technical decisions of the administrative, commercial and otherwise which cause changes in the form of cooperation and development relations of management expressed in the laws and principles of management, as well as the purpose, function, structure, methods and process of management. More suitable opinion on the definition of the nature of managerial innovations introduced in his book "HR organization" A. Kybanov [9]. He suggested understanding by managerial innovations any organizational solutions, systems, procedures or methods of administration that significantly differ from the practices that have developed in the company, and was first used in its operations.

However, since many tasks in the management of any of the restaurants can be combined, bringing to perform some basic management functions: planning, organization, motivation and control, then, in our opinion, directions of possible innovations in the management of the restaurants are methods of the realizations of the above functions, as well as their distribution across the enterprise through the organizational management structure.

The basis for managerial innovations are changing tasks that solve the enterprise restaurant management, which in turn is caused by objective reasons for changes in the external environment for its functioning. However, we believe that in restaurant enterprises, it consists of three mechanisms which interact. These are:

- 1) structural mechanism;
- 2) mechanism of making decision, which allows to carry out internal and external selection of innovations for restaurants and catering enterprises;

3) information mechanism that provides the activity of the two previous mechanisms.

To solve problems of innovative development of the restaurant business, first of all, you need to track changes occurring in the domestic and global markets catering business, paying particular attention to key trends in science and technology.

To do this, use the following methods:

- The method of structural and morphological analysis - it can be used to detect new restaurant developments, on the basis of which will form the innovation strategy of the company;

- Method of determination of the publication activity - analyzing and tracking information in stages, you can determine at what stage of the life cycle is the restaurant innovation in different countries, and on the basis of results to develop recommendations for the formation of innovation strategy;

- Method patents analogs - as restaurant business abroad only makes out a patent on the ideas which have practical significance, you should, track the areas where power patents analogs grows faster, thus you can set the direction of innovation leading restaurant companies in the development of productive capacity.

Next, select the form and innovation of development strategy, depending on its selection is the choice of subject specialization of any restaurant company, the technologies of its basic and auxiliary production, adjusted control system and the perception of the environment in relation to the restaurant business.

Thinking through the full range of innovative measures, marketing and economic departments of enterprises should calculate the amount of expenditure necessary for the implementation of restaurant innovation, as the innovation life cycle of restaurant has great length, therefore, the same quantity costs undertaken at different times, and the obtained result is economically unequal. Using the method of discounting can resolve this contradiction.

Choosing an innovative project must also take into account the interests of the investor. Investors must be sure that the expected revenue from restaurant innovation can cut costs, debt repayment and ensure the payback of their investment.

To determine the investment attractiveness of the innovation project it is necessary to make the examination, consider alternative restaurant innovation. This takes into account:

- Average annual profitability of restaurant innovation projects and the average rate of bank credit;

- Payback period;

- Investment needs;

- Stability of earnings;

- Profitability in general and others.

To make the final investment decisions by the restaurant the following criteria should be considered:

- Lack of more favorable alternatives;

- Reducing the risk of losses from inflation to a minimum;

- Return in a short time;

- Low price restaurant innovation;

- Stability of earnings;
- High profitability based on discounting.

In a such way they can determine, which innovative restaurant project is the most advantageous in terms of investment attractiveness.

You must also determine how innovative restaurant company will be active on the market. You can use the following metrics.

1. Share restaurant products is under the market launch and growth. In deriving the restaurant product to market they must be approved. This is usually carried out activities such as tasting (trial portions allow visitors to learn about new foods free), presentation (prepared in advance invitation stating designed menus, entertainment); organize holiday parties, family celebrations in the restaurant (meals offered and drinks that are not included in the daily menu and wine list, you can taste only during the event), interest clubs (gourmets, lovers of beer, wine and cigars).

2. Value of intangible assets in terms of technology and research licenses and patents in the total assets of the restaurant business and the value of tangible assets.

3. The share of venture capital funding in the restaurant business.

4. The relative level of knowledge-intensive restaurant products that use the latest high-tech private enterprise development and unique ideas and activities of other companies that develop new markets and restaurant products with promising business ideas that would greatly increase sales and profits in the short term [ 4].

In innovation processes, in addition to managers and marketing professionals and all the staff restaurant business are directly involved. In this case, the implementation process will be vertically downward. If innovations are implemented successfully, this vertical integration involves consumers. In this case, it becomes possible to spread horizontally: the success of innovation allows the company to increase sales, increase the number of customers and at the same time causes the desire of competitors to repeat its success.

In summary, we propose the concept of "innovation in the management of the restaurants" to understand the set of implemented innovations related to process management as separate units, and now restaurant industry as a whole and affect the partial or complete alteration of enterprise management system. We believe that the implementation of managerial innovations should be, on the one hand, addressed, ie be focused on specific strategic and tactical objectives of the enterprise restaurant management, and on the other it must be a multi one because changes in one subsystem restaurants and catering enterprises cause changes in its other subsystems. In addition, managers of institutions restaurants should be aware that the process of innovation is in a certain degree conflict and risky, as in the course management, usually uncertainty result is manifested.

Conclusions from the study. According to our survey, we can draw the following main conclusions:

1) Development of the restaurant enterprises is closely associated with a variety of innovative changes, including those which relate to the management in these enterprises;



2) Innovation in the management of the restaurants is a set of implemented innovations related to process of control units as well as of the restaurants in general and in some way they affect the alteration of management of the company;

3) it is found out that not all innovations can be implemented or even feasible for enterprises restaurants depending on their type and affordability for consumers;

4) for scientifically sound reasonable choice of innovation for restaurants and catering enterprises is recommended methodical approach, within which is estimated the unique of innovation, the internal capabilities of innovation in the enterprise, the risk of loss and the expected beneficial effects of innovation.

**Conclusion.** Thus, the result of innovative development of the restaurant business will be new ideas, new and improved restaurant products and services, new processes, new forms of organization and management of the restaurant business.

We believe that the material of this study can be further used in the process of solving of the problematic aspects of the formation of innovative business strategies in restaurant industry.

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