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**IMPLEMENTATION OF VALUE BASED MANAGEMENT  
IN JOINT-STOCK COMPANY UKRZALIZNYTSIA**

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The transport industry plays a crucial role in Ukrainian economy, providing services for domestic, export/import, and transit carriage of goods and passengers. Today Ukrzaliznytsia is responsible for 80,1 % of transport operations in the overall structure of cargo transportation carried out by all types of transport (excluding pipelines) and 32,1% of passenger traffic (excluding urban electric transport). Moreover, it generates up to 2,6% of Ukrainian GDP [1].

Among its strategic objectives there are transformation of Ukrzaliznytsia from a quasi-monopoly to a market-oriented and competitive leader; elimination of internal inefficiencies through better business management practices in line with best international standards; introduction of a modern effective process-oriented management system [1].

Therefore I would definitely suggest JSC Ukrzaliznytsia executives think over implementation of Value Based Management (VBM) as one of the most appropriate and effective managerial system existing for today. Our researches carried out in 2007 and 2010 [2, 3] proved the possibility of its partial application in structural units such as railway stations, etc. And nowadays restructuring, assets evaluation and creation of JSC Ukrzaliznytsia enable further scientific research on this issue and practical implementation of VBM concept.

The Chartered Institute of Management Accountants defines VBM as “a managerial process which effectively links strategy, measurement and operational processes to the end of creating shareholder value”. VBM provides consistency of mission, strategy, culture, communication, organizational structures and decision-making process, but most of all it enables performance measurement and alignment of the performance with reward and motivation tools. This leads to concentration on three main components: creating value, managing for value and measuring value. Value based management generates long-term changes in the business processes, in the organizational values and in the manner of assuming responsibility [4].

The implementation steps of VBM concept in JSC Ukrzaliznytsia (based on those worked out in [5]) are the following ones.

1. Task Set (setting the task; analysis of pros and cons of VBM and benefits of VBM implementation in JSC Ukrzaliznytsia).

2. Assessment Set (choosing proper type of value (EVA, MVA, SVA, CVA, etc.) and methods of assessment). According to the world practices, the best methods in this case are based on the income approach, *namely* Discounted Cash Flow and Direct Capitalization.

3. Clarification Set (building value chain; identification of key value drivers; clarification of financial and non-financial value drivers; creation of value drivers tree). Obviously, key value drivers of JSC Ukrzaliznytsia are in cargo traffic realm.

4. Culture Set (implementation of value thinking; organization of trainings for managers and all employees; creation of motivation and remuneration system based on share of value created by every department).

5. Planning Set (creation of operational and strategic decisions; assessment system).

6. Analysis Set (analysis of every department contribution in creating value and development of measures to increase it).

7. Result Set (creation of a Report on the value).

To sum up the aforementioned, the process of implementing VBM concept in JSC Ukrzaliznytsia is extremely sophisticated and may well take much time – up to 2 years. And it should be based on the need to meet the expectations of all stakeholders, including staff. So, Ukrzaliznytsia should continue to fund so-called «nonprofit social assets» (hospitals for employees, sanatoriums-and-spa, etc.), because workers' health increases the number of sick days and it can be counted as non-financial value driver.

Implementation of VBM in JSC Ukrzaliznytsia will help increase its value, quality of management, performance and competitiveness in case all the procedures are done correctly and all the employees accept new value philosophy.

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