

UDC 338.12.017

VALUE BASED MANAGEMENT IN SMALL FAMILY BUSINESS AFFECTED BY QUARANTINE

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The issue of Value Based Management implementation in Small Family Business suffering from quarantine has been investigated in the study.

Family firms are typically vulnerable due to their autonomous, family-oriented standing and their constrained financial capital and resources, but we presume that this applies to small family businesses rather than to big ones. This requires special methods of efficient management and means of government's support of family business affected by quarantine. We do believe that Value Based Management (VBM) is a proper concept to be implemented in order to help them to survive and create long-term value.

In the study Continuous Value Creation Cycle has been further refined. Continuous Value Creation Cycle encompasses five stages. 1 Strategic planning: Setting objectives, clarifying their indices at all levels of management. 2 Value creation: Operational processes of creating value (manufacturing goods, sales, etc.). 3 Value Assessment: Assessment of the value created. 4 Value contribution: Estimation of every department's contribution in value created. 5 Remuneration: Using effective Remuneration System according to personnel contribution to the value created.

Using this Continuous Value Creation Cycle, every entrepreneur can figure out where they should start – from setting objectives in their business to organization of remuneration system on the basis of personal contribution of every employee into the value created.

Besides, the most affected by quarantine /coronavirus lockdown stages have been clarified. They are: the first (because being under tough circumstances of reducing demand, small businesses should set their objectives in a different way); the second (usual operational processes may well need deep analysis and diversification), and the forth stage (may be changed in case of diversification, because some new business units producing value may appear).

The results obtained in the study can be used in further research in this realm, in further clarification of value drivers for a particular small family firm.

Key words: *Value Based Management, Family Business, Small Family Business, Continuous Value Creation Cycle.*

ВАРТІСНО-ОРІЄНТОВАНЕ УПРАВЛІННЯ У МАЛОМУ СІМЕЙНОМУ БІЗНЕСІ, ЯКИЙ ПОСТРАЖДАВ ВІД КАРАНТИНУ

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У статті досліджено питання впровадження вартісно-орієнтованого менеджменту у малому сімейному бізнесі, потерпілому від карантину.

Сімейні фірми, як правило, вразливі через свій автономний, орієнтований на сім'ю статус та обмежений фінансовий капітал і ресурси, але ми припускаємо, що це стосується малих сімейних підприємств, а не великих. Це вимагає спеціальних методів

ефективного управління та засобів державної підтримки сімейного бізнесу, який зазнав карантину. Ми вважаємо, що управління на основі вартості (VBM) - це вірна концепція, яка має бути реалізована для того, щоб допомогти їм вижити та створити довгострокову цінність.

У дослідженні був вдосконалений Постійний цикл створення вартості. Безперервний цикл створення вартості охоплює п'ять етапів. 1 Стратегічне планування: встановлення цілей, уточнення їх показників на всіх рівнях управління. 2 Створення вартості: операційні процеси створення вартості (виготовлення товарів, реалізація тощо). 3 Оцінка вартості: оцінка створеної вартості. 4 Ціннісний внесок: Оцінка внеску кожного відділу у створену вартість. 5 Винагорода: Використання ефективної системи оплати праці відповідно до внеску персоналу у створену вартість.

Використовуючи Постійний цикл створення вартості, кожен підприємець може зрозуміти, з чого йому починати - від встановлення цілей у своєму бізнесі до організації системи оплати праці на основі особистого внеску кожного працівника у створену вартість.

Окрім того, з'ясовано найбільш постраждалі від карантину / коронавірусу етапи Постійного циклу створення вартості. Це: перший (оскільки малі підприємства, перебуваючи у важких обставинах зменшення попиту, повинні іншим чином ставити цілі); другий (звичайні операційні процеси цілком можуть потребувати глибокого аналізу та диверсифікації) і четвертий етап (може бути змінений у разі диверсифікації, оскільки можуть з'явитися деякі нові бізнес-одиниці, що дають вартість).

Отримані в процесі дослідження результати можуть бути використані для подальших досліджень у цій царині, для з'ясування факторів вартості для певної невеликої сімейної фірми.

Ключові слова: управління на основі вартості, сімейний бізнес, малий сімейний бізнес, безперервний цикл створення вартості.

СТОИМОСТНО-ОРИЕНТОВАННОЕ УПРАВЛЕНИЕ В МАЛОМ СЕМЕЙНОМ БИЗНЕСЕ, ПОСТРАДАВШЕМ ОТ КАРАНТИНА

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В статье исследован вопрос внедрения стоимостно-ориентированного управления в малом семейном бизнесе, пострадавшем от карантина.

В исследовании был усовершенствован непрерывный цикл создания стоимости. Он включает пять этапов. 1 Стратегическое планирование: установление целей, уточнение их показателей на всех уровнях управления. 2 Создание стоимости (операционные процессы создания стоимости - изготовление товаров, реализация и т.д.). 3 Оценка стоимости. 4 Ценностный вклад (оценка вклада каждого подразделения в созданную стоимость). 5 Вознаграждение (использование эффективной системы оплаты труда в соответствии с вкладом персонала в созданную стоимость).

Кроме того, определены этапы цикла, на которые в наибольшей степени влияет карантин. Это: первый этап (поскольку малые предприятия, находясь в тяжелых обстоятельствах уменьшения спроса, должны иначе ставить цели), второй этап (обычные операционные процессы вполне могут потребовать глубокого анализа

и диверсификации) и четвертый этап (может быть изменен в случае диверсификации, поскольку могут появиться некоторые новые бизнес-единицы, создающие стоимость).

Ключевые слова: управление на основе стоимости, семейный бизнес, малый семейный бизнес, непрерывный цикл создания стоимости.

Introduction. Family business is known to be the pivot of world's economy, its impact on the global economy is tremendous. Percentage of family business

contribution to national GDP varies from 27% in Bahrain to 90% in United Mexican States (fig.1).



Fig. 1. Percentage of family business contribution to national GDP [1]

Family businesses are inherently resilient – and those in Ukraine should not be exceptions, whether recently-founded or long-established. Newer family businesses have survived and thrived in tough environments. Older ones have ridden out world-changing events, from wars and recessions to natural disasters. Either way, resilience can be a part of any family business DNA – underpinned by its deeply-held values and purpose, long-term horizon, agile decision-making, patient capital, and a deep commitment to its workforce and communities.

However, as it is mentioned in [2], the COVID-19 pandemic is severely testing the attributes that give family businesses a competitive edge. The ability to survive and prepare for the “new normal” is critical to the future of any family, business and all the people who rely on it. The coronavirus pandemic is affecting small businesses in a variety of ways. From loss of business to remote work, things are changing fast during the COVID-19 outbreak and businesses are being forced to adapt.

We do agree with [3], that Family firms are typically vulnerable due to their

autonomous, family-oriented standing and their constrained financial capital and resources, but we presume that this applies to small family businesses rather than to big ones. Additionally, a crisis typically hits the owners of family firms twice, i.e. once as private citizens and in a second round as business owners [3].

As for Ukraine, unfortunately, there is neither any accurate statistical data about family business' percentage in GDP, nor any data about their exact number, but we assumed in [4] that majority of medium-size, small and (as a part of small ones) microenterprises are family-owned (especially those which are registered as individual entrepreneurs). There is a lot of evidence about small businesses suffering from quarantine, decreasing of demand, losses and bankruptcies (for instance, in [5]).

All aforementioned factors require special methods of efficient management and means of government's support of family business affected by quarantine. We do believe that Value Based Management (VBM) is a proper concept to be implemented in order to help them to survive and create long-term value.

Analysis of recent researches. The issue of developing small business in Ukraine is discussed in the works of O. Dykan, O. Poliakova, H. Obruch, A. Tolstova and others [6 – 9]. The one about Poland is presented in the paper [10] - the analysis of the questions of business succession in Poland on the basis of the author's own research materials has been done.

Some our works [4, 11] are devoted to the implementation of Value Based Management (VBM) in Small Family Retail Business and developing of strategies of small family businesses survival during and after quarantine. In [4] the issue of Value Based Management implementation in Small Family Retail Business has been investigated and its feasibility has been proved; special characteristics of family business and its difference from ordinary businesses have been clarified; the stages of implementing VBM in Small Family Retail Business have been identified; the Value Drivers Tree for Small Family Retail Business has been developed, taking account of specificity of the type of business being examined. In [11] the scheme of working out a strategy of Small Family Business Survival during and after quarantine has been offered.

Value Based Management has been widely discussed in the economic literature. Among the publications there are a few ones about the implementation of Value Based Management in family business [12 - 14]. For instance, A. Lewandowska and M. Sajdak studied the consequences of VBM for developing an organisational agility potential of a family business [12]. The determinants of VBM use and its performance measures in family firms are explored in the study by C. Brück, J. Ludwig and A. Schwering [13], and the fact that VBM can help family firms to improve decision-making quality by enabling consistent and goal-congruent decision support and performance measurement is proved. In the study by F. Krol [14] the analysis of internal and external impulses and possibilities of Value Based Management implementation in Small and Medium Enterprises is done.

As for VBM in small business in Europe affected by quarantine, there are several researches, among them [3] there is the first empirical study in the management realm on the impacts of COVID-19 on family firms. It provides cross-national evidence of family firms' current reactions to the crisis.

Unexplored aspects of the issue. But until now, there has not been paid enough attention to the implementation of VBM concept in Small Family Business in the literature, clarifying stages of Continuous Value Creation Cycle for this type of business.

Taking into account all the aforementioned, we declare the necessity of further research in the field of the implementation of VBM concept in small family businesses, especially during the pandemic and quarantine restrictions, which do not only severely endanger their profitability, but also their existence.

The purpose of the study is clarifying of the stages of Continuous Value Creation Cycle and Value Chain for Small Family Business and working out some practical recommendations on surviving the crisis for family businesses in Ukraine.

Main body of the study.

Value-based management is a managerial approach in which the primary purpose is value maximisation. The objective of the firm, its systems, strategy, processes, analytical techniques, performance measurements and culture is shareholder wealth maximisation. We believe that family enterprises are uniquely positioned to generate superior long-term benefits for stakeholders - their shareholders, employees, family members and their community.

To implement VBM in Small Family Business (as well as in small business of any type), we should know a cycle of value creation. Having examined scientific papers on this issue, we found the one by R. Ibragimov [15] in which this cycle consists of three stages: Creation of value; Assessment of results; Remuneration system (fig.2).

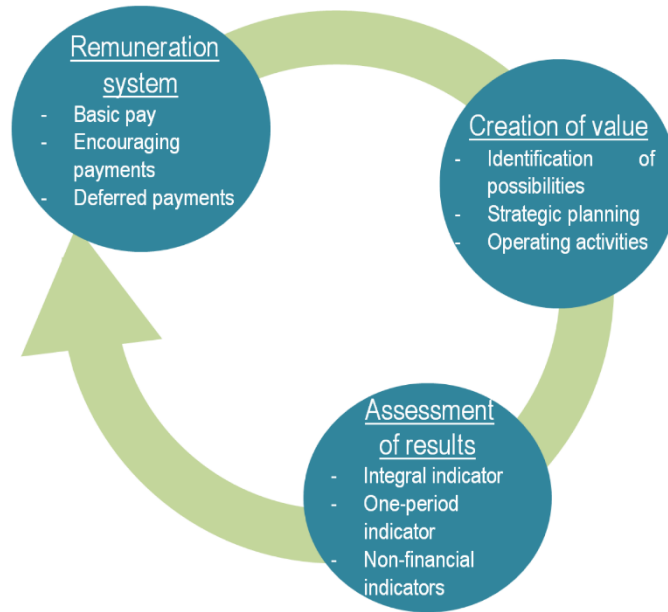


Fig. 2. The cycle of "creating" value (quotation by the author - R. Ibragimov) [15]

The thing is that having these three stages only allows to describe the process of creation and assessment of value vaguely, without details, and doesn't make it possible to clarify them in the process of VBM implementation. For instance, there is no stage of setting objectives, strategic planning,

and also stage of estimation of every department's contribution in value created (which is vital for VBM). Therefore we refined R. Ibragimov's cycle and created Continuous Value Creation Cycle on its basis (fig.3).

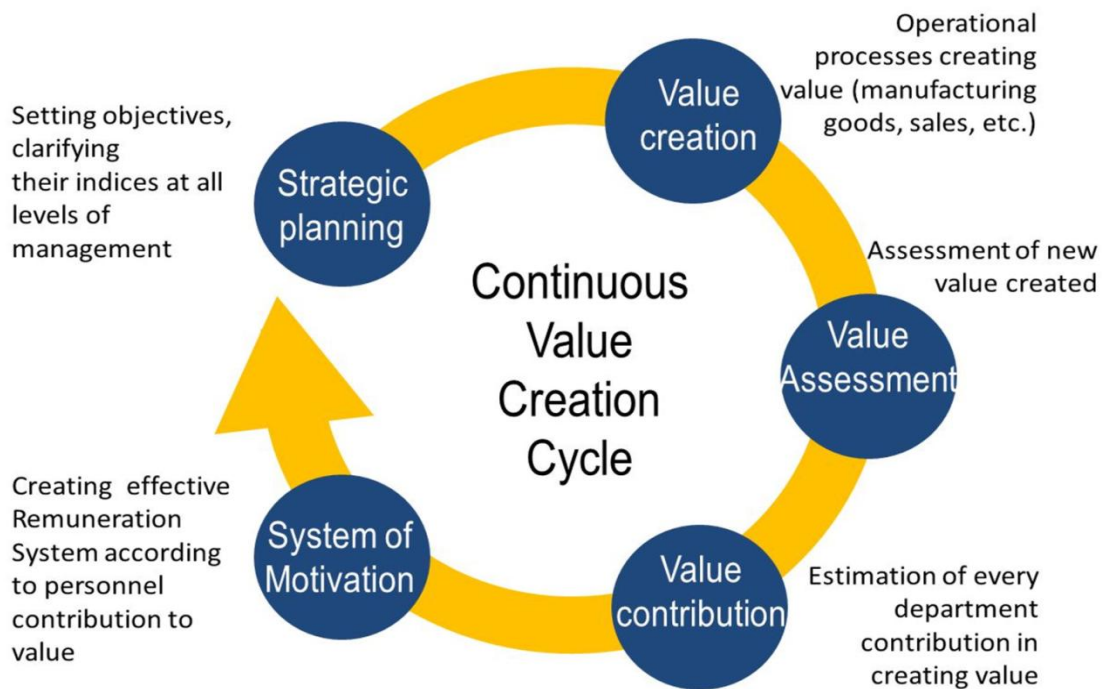


Fig.3. Continuous Value Creation Cycle (further refined on the basis of [15])

Continuous Value Creation Cycle encompasses next five stages.

1 Strategic planning:

- Setting objectives, clarifying their indices at all levels of management

2 Value creation:

- Operational processes of creating value (manufacturing goods, sales, etc.).

3 Value Assessment:

- Assessment of the value created.

4 Value contribution:

- Estimation of every department's contribution in the value created.

5 Remuneration:

- Using effective Remuneration System according to personnel contribution to the value created.

Using this Continuous Value Creation Cycle, every entrepreneur can figure out where they should start – from setting objectives in their business to organization of remuneration system on the basis of personal contribution of every employee into the value created.

The most affected by quarantine /coronavirus lockdown stages are:

- the first, because being under tough circumstances of reducing demand, far more strict rules of running business than before, small businesses (including retail) should set their objectives in a different way (for instance, survival instead of prosperity – in indices, of course);

- the second – usual operational processes may well need deep analysis and diversification, taking into account all the aforementioned. With many small businesses experiencing considerable financial difficulties, some have taken swift action to adapt their businesses to meet the needs of the market. In recent weeks there have been notable reports of businesses attempting to turn their fortunes around by making considerable changes to their product offering and/or their way of working. For some, this has been mandatory because revenue streams right the way down the supply chain have either shrunk or disappeared completely. For example, whilst the new stay-at-home rules are being acutely felt by businesses in the hospitality,

leisure and retail sectors, suppliers to these sectors, such as specialist food producers and wholesalers, are also feeling the effects of the crisis. Although it may not always be possible, all businesses should explore whether they can diversify or deploy their assets differently;

- the forth stage – Value Contribution – may be changed in case of diversification, because some new business units producing value may appear.

Conclusions and prospects for the further research.

The issue of Value Based Management implementation in Small Family Business has been investigated in the study and Continuous Value Creation Cycle has been further refined. Continuous Value Creation Cycle encompasses five stages: Strategic planning, Value creation, Value Assessment, Value contribution, Remuneration. Using this Continuous Value Creation Cycle, every entrepreneur can figure out where they should start – from setting objectives in their business to organization of remuneration system on the basis of personal contribution of every employee into the value created.

Besides, the most affected by quarantine /coronavirus lockdown stages have been clarified. They are: the first (because being under tough circumstances of reducing demand, small businesses should set their objectives in a different way); the second (usual operational processes may well need deep analysis and diversification), and the forth stage (may be changed in case of diversification, because some new business units producing value may appear).

The results obtained in the study can be used in further research in this realm, in further clarification of value drivers for a particular small family firm.

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