

# Business stability ensuring mechanism of enterprise in modern market conditions

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## Abstract

Concepts are developed. Business stability ensuring mechanism of enterprise model in modern economy digitalization conditions is grounded based on complex casual-consequential chains of business management metrics system of the enterprise with its marketing complex. Each component of the business management metrics system of the modern enterprise is proved to form particular components of the general model for business stability ensuring mechanism. Thus, the business stability of modern digital enterprises should be defined as a cortege (complex) of three consequently connected stability ensuring systems: «organizational stability < market stability < economic stability». Each system, in its turn, consists of components that are functional (operational) stability types. Each stability type factor should form through a logical combination of particular business policies range from proposed by the author matrix «business management metrics system – marketing complex» of particular strategic behavioral guidelines of the enterprise to interact with its target market within  $\{i - \text{business metrics}; j - \text{marketing complex}\}$  pair. Every behavioral guideline should include an appropriate economically grounded quantitative key (integral) indicator. Business stability of modern enterprise in transition to digital economy conditions is defined as a complex enterprise ability to react quickly and adequately to violations in the business processes of consumer business value creation chain for partners and customers trust maintenance, ensuring competitiveness and further continuous development of their business. The conclusion is that further problem study prospects of the enterprise business stability ensuring in modern market conditions may be connected with quantity trend analysis of business value creation chains for every business metric of modern digital (SMART) enterprise considering proposed by authors model for business stability ensuring mechanism creation based on strategic planning matrix «SBC-MM».

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**Keywords:** management, business stability, business management metrics, marketing mix, business process, digitalization of enterprises.

## 1. Introduction

*Problem statement.* Such phenomenon as the economic crisis in current market conditions gains more regional and national scale instead of being certain types of economic entities and business areas problem. Especially global trend of transition to the digital economy necessitates creating a new methodology of organizational management based

on the concept of «smart enterprise»<sup>[1]</sup>. Considering this modern challenge, the task is rethinking existing approaches to evaluating and creating business stability ensuring mechanism of the enterprise in modern market conditions. First, we need further «digital process-oriented management» methodology for modern enterprise development within the socio-economic «internet of things» phenomenon context<sup>[2-4]</sup>.

2. Main body

*Latest sources and publications research.* The large scope of publications is dedicated to the general problem of modern enterprise business stability ensuring, in which authors try to define «business stability» through simplified definitions of «financial stability» or «economic stability» excluding the casual-consequential character of business management metrics system connections with its marketing mix. Connections are the elements of the systemic ensuring mechanism of the general business goal achievement by a business entity in the long-term period. Examples of such simplifying are known additive discriminant models of bankruptcy assessment [5, 6] by E. Altman (1968), R. Liss (1972), D. Chesser (1974), R. Taffler (1977), Davydova-Bielikova (1999). Attempts of «business stability» definition through a heuristic (mechanistic) list of enterprise possible business risks irrespectively of its systemic business strategic development model were made [7-9]. All this means that the business entity stability concept is multifactor and complex. Thus, this research topic is the issue of the day.

*Unsolved part of the general problem.* Authors claim that if the company is interested in achieving sustainable success in modern realities of the digital economy, then it should create effective business

stability ensuring mechanism by obtaining accurate data on its management system operating. Therefore, identifying a system of factors influencing the business sustainability of existing enterprises is important. Herewith, the modern methodological challenge of determining the categorical apparatus for the «enterprise business sustainability» concept exists.

*The research goal* is enterprise business stability ensuring mechanism (hereinafter enterprise) and concept grounding based on the systemic casual-consequential character of business management metrics system connections with its marketing mix (MM). According to this goal, business stability is proposed to be considered as an enterprise complex ability to react quickly and adequately to violations in the business processes of consumer business value creation chain for partners and customers trust maintenance, ensuring competitiveness and further continuous development of their business.

*Research results.* Undoubtedly, every enterprise forming its own business stability management mechanism relies primarily on the management system improvement. Using a systemic approach allows considering business stability management through a digitalized system of various enterprise management aspects (SBC-system of business coordinates [10]), which are the fundamental basis for business stability ensuring. It should be noted that each of the

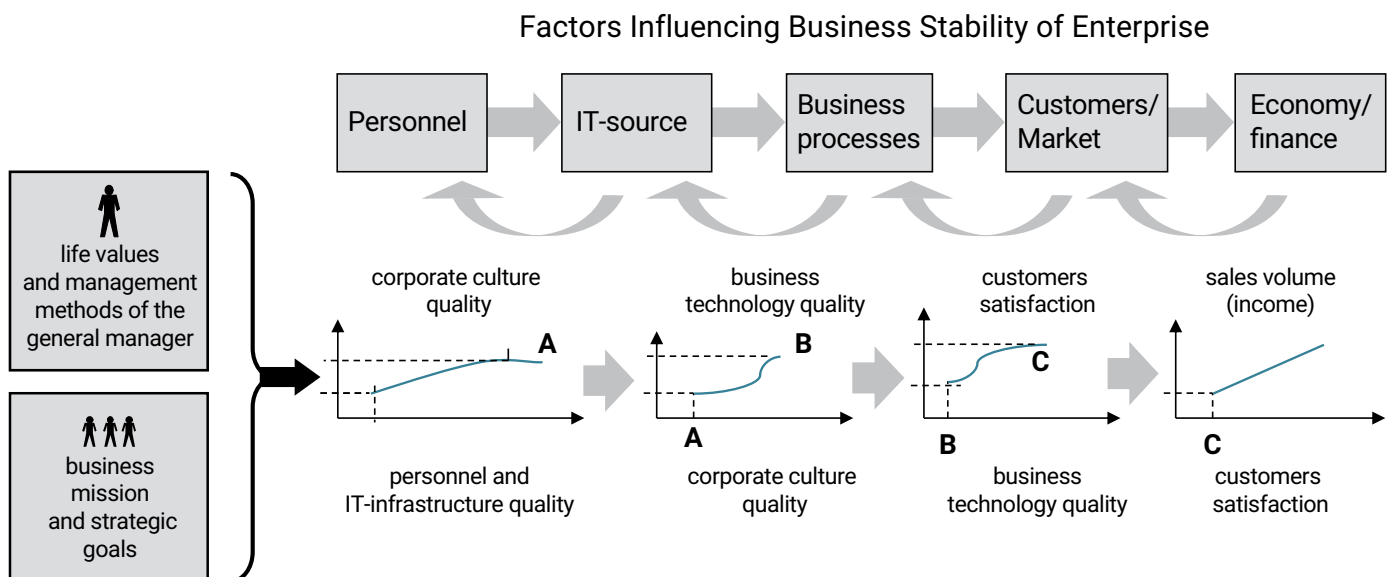


Fig. 1. Conceptual model of casual-consequential chains of interaction efficiency evaluation of enterprise business environment elements (author’s model)

components of the business metrics system directly influences both the final result and each other. This contributes to forming its own effective enterprise management mechanism and its competitiveness.

Considering the above, the authors conceptual model of analysis and synthesis of enterprise business stability ensuring mechanism (Fig. 1) as direct and reverse casual-consequential chains of interaction efficiency evaluation business environment of the enterprise elements.

The essence of the direct chain is that only an effective business manager heading highly qualified and motivated personnel, using modern IT sources for operational activity, can realize effective management and technological business process system of interaction with market subjects (customers, investors, competitors, etc.) within value creation chain. This, in turn, will provide for stable competitive services (goods) price/quality ratio, resulting in planned dynamics and return on invested capital rate for owners (stakeholders, investors) of the enterprise.

The essence of the reverse chain is that causes of negative financial and economic indices should be

checked in the «Customer/Market» block as customer dissatisfaction discloses problems in the «Business process» and «IT source» blocks. The issue of management and technological business process in the value creation chain roots in the «Personnel» block regarding factors of qualification, motivation, modern IT source use for the operational activity of the enterprise.

It can be admitted that key determining factor of successful business development is life values and management methods of the general manager (business owner, stakeholders) in enterprise business stability ensuring context according to model in (Fig. 1). This factor is determining for hired personnel and infrastructure quality development process for future determining enterprise corporate culture. Corporate culture, in turn, is a necessary precondition for effective business technology ensuring all economic activity approaches of the created enterprise. This precondition is determining the key «create your customer» business goal. In conclusion, successful solving of this business goal provides necessary goods/

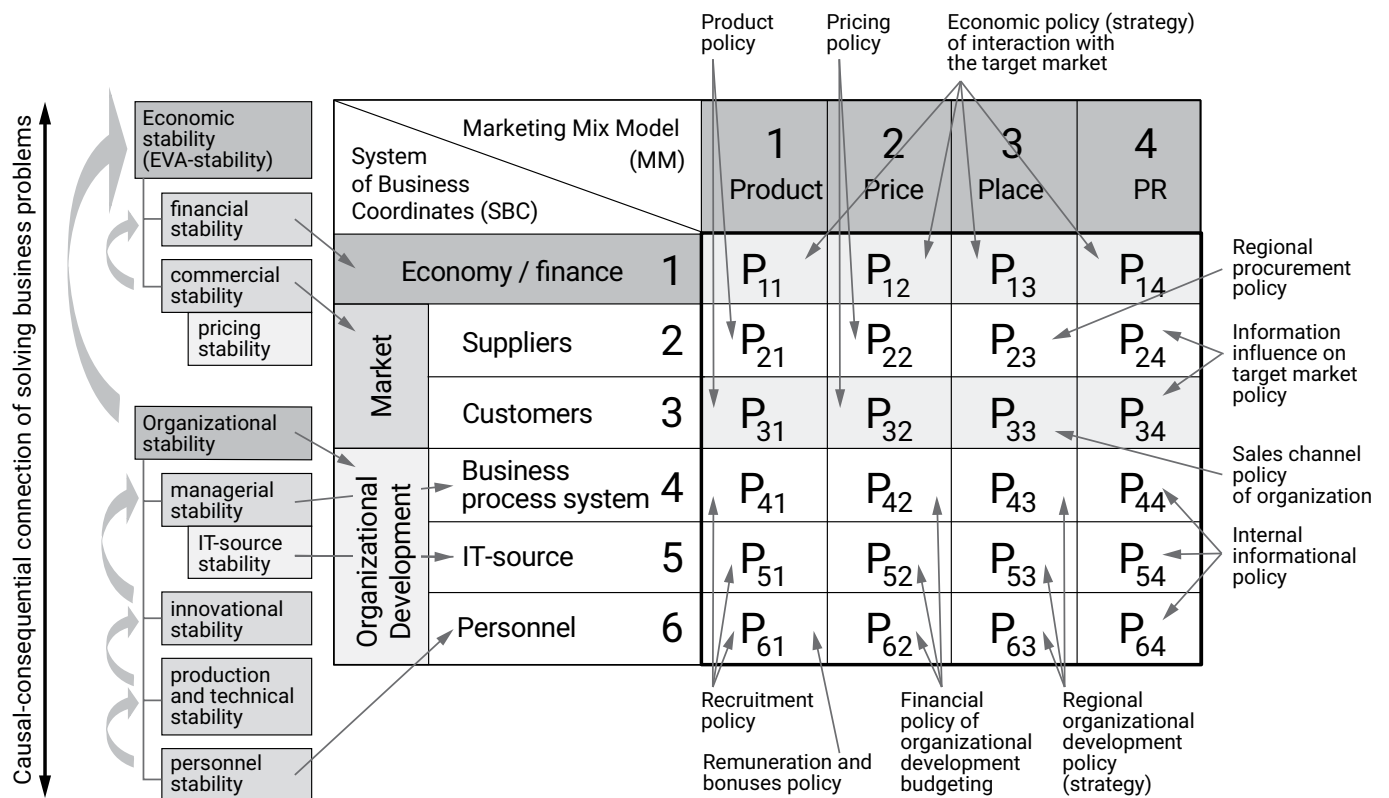


Fig. 2. Model of enterprise business stability mechanism creation based on strategic planning matrix «SBC-MM»:  $P_{ij}$  – business policy,  $ij$  – enterprise complex development strategy component (author’s model)

services sales volume, i. e. the profit rate. The quantitative measure of profit can be considered a characteristic of enterprise business stability as the complex quality of business management metrics set regarding the internal business environment of the enterprise, which, in turn, is influenced by external business environment factors to a particular extent.

Taking into account the approbation results of the above, realizing the range of consulting projects on company management system optimization, the authors proposed a model of enterprise business stability mechanism creation (Fig. 2). Authors strategic planning matrix «SBC-MM»<sup>[10]</sup> is the basis for this model.

According to the model (Fig. 2) «business stability» category should be defined as a cortege (complex) of three consequently connected stability ensuring systems: «organizational stability < market stability < economic stability». Each system, in turn, consists of functional (operational) stability types (subtypes) components. It should be mentioned that each functional stability type represents particular enterprise specifics. Consequently, each stability type (subtype) has a set of factors requiring detailed analysis. Each stability type factor should be formed through the logical combination of particular business policies range  $P_{ij}$  as of particular strategic behavioral guidelines of the enterprise to interact with its target market within  $\{i - \text{business metrics}; j - \text{marketing complex}\}$  pair, each of guidelines having economically grounded quantitative key (integral) index. For example, the «sales stability» term is explained by particular action details ensuring the enterprise organizational development strategic planning process. It is based on logical union ( $U$ ) of particular  $SS$  business policy (cortege):

$$SS = P_{11}U P_{12}U P_{13}U P_{14}U P_{31}U P_{32}U P_{33}U P_{34} \quad (1)$$

Based on the model in Fig. 2 enterprise «business stability» complex model is proposed to be determined as a union of the following functional (operational) stability types.

*Personnel stability* is the enterprise ability to recruit, constantly improve and retain highly qualified

personnel by creating an effective and encouraging corporate culture and motivation (work stimulation) for business goals achievement.

*Information technological stability* is the enterprise ability to protect its important information from disclosure, theft, content modification, destruction, and damage; protect clients, personnel, and partners personal information; reduce the hardware and software failure risks while processing important information.

*System of technological production activity processes stability* is functional personnel of technological process of consumer business value creation chain ability to ensure minimum probability level of critical situations causing commercial loss.

*Innovative stability of technological production processes* is functional personnel and managers (owners) of technological process of consumer business value creation chain ability to create and commercialize constantly intellectual property, ensuring goods/services competitiveness in the target market.

*System of management processes stability* is enterprise managers ability to react quickly and correspondingly on violations in management cycle «plan – do – check – act» of direct management subordinate(s) object(s) ensuring further development of its hierarchical organizational level of managerial responsibility.

*Organizational stability* is enterprise as a business system ability to ensure internal process-oriented organizational management structure stability by performing the four basic system-forming principles of building organizational systems: hierarchy, determinism, integrity (completeness and non-contradiction), synergy<sup>[5]</sup>.

*Price stability* is the enterprise ability to ensure optimal goods/services pricing mechanism, providing effective, stable sales level planning in natural units.

*Sales stability* is enterprise ability to organize goods/services circulation, ensuring a constant excess of income over expenses.

*Marketing stability* is enterprise ability to timely react to external market conditions and competitive factors changes correcting the marketing mix without

breaking the business process of consumer (client) business value-creation chain and without interruptions in target commercial activity development.

*Innovative sustainability of marketing activities* is enterprise marketing personnel ability to attract customers (clients) through the constant creation and implementation of innovative methods (know-how) for informative economic effective commercial influencing focus groups on the consumer market.

*Market stability* is enterprise ability to timely adapt to market conditions and competitiveness changes during a long-term period correcting existing business activity types (policies). It also includes enterprise ability to provide pricing policy maintaining financial stability level or by the operational, technological restructuring of consumer business value creation chain aiming to create new consumer value (new business units) maintaining the balance of its assets and liabilities guaranteeing solvency and investment attractiveness.

*Stability of the loan and investment portfolio* is the enterprise ability to effectively manage the existing loan and investment portfolio for development and attract additional external financing based on the assessment of the business risk acceptable level.

*Financial stability* is enterprise ability to manage rationally own and loan capital to fulfill all financial obligations to staff, partners, and the state owing to sufficient income in the short and medium-term based on strategic planning business policies «System of Business Coordinates-Marketing Mix» (matrix «SBC-MM»).

*Economic stability* is the enterprise ability to maintain a particular (predetermined) general business goal level, i. e. predetermined EVA (Economic Value Added) level in the conditions of dynamic transformation of the interaction of its internal and external business environment in the long-term period.

Based on the strategic planning matrix «SBC-MM» (Fig. 2) model of general business goal tree in the form of indices pyramid of EVA formula is pro-

posed to be used as a model based on EVA index economic stability ensuring mechanism. By analogy with the well-known pyramid of DuPont, the purpose of this pyramid is management instrument of multifactor casual-consequential analysis, allowing to determine which interrelated factors of the enterprise economic activity system result in economic value added increase. A quantitative measure of enterprise economic stability evaluation is proposed to consider the share of profit according to the EVA break-even point <sup>[11]</sup> in the amount of actually received income (Economic Stability Index  $I_{ES}$ ):

$$I_{ES} = 1 - \frac{\text{Fixed Cost} + \text{Cost of Debt} \cdot \text{WACC}}{\text{Contribution Margin}}, \quad (2)$$

where

WACC is Weighted Average Cost of Capital in business of enterprise.

### 3. Conclusions

The scientific novelty of the research lies in forming a new enterprise business stability evaluation concept based on complex casual-consequential chains of business management metrics system of the enterprise with its marketing complex according to proposed by authors strategic planning matrix (model) «SBC-MM». Thus, the «business stability of enterprises» category is proposed to be defined as a cortege (complex) of three consequently connected stability ensuring systems: «organizational stability < market stability < economic stability». Each stability-ensuring system, in turn, consists of determined (critical) components, which are functional (operational) stability types. Further problem study prospects are connected with the forming system of quantity trend analysis of business value-creation chains stability for every business metric of modern digital (SMART) enterprise considering the authors model for business stability ensuring mechanism creation based on strategic planning matrix «SBC-MM».



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