

Nazarenko I. L., Associate Professor
Ukrainian State University of Railway Transport
Kharkiv, Ukraine

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ECONOMIC SECURITY OF SMALL FAMILY BUSINESS AFFECTED BY PANDEMIC: IDENTIFYING NEW THREATS

Family business is known to be a 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.

Nowadays, 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 [1]. 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.

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 [2].

There is a lot of evidence about small businesses in the counties of EU, the USA and all around the globe suffering from quarantine, decreasing of demand, losses and bankruptcies (for instance, in [3; 4]). As for Ukraine, there is neither any accurate statistical data about family business' percentage in GDP, nor any data about their exact number, but we assumed in [5; 6] 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*). We developed some strategies of small family businesses survival during and after quarantine in [7].

However, according to aforementioned, there is a great necessity of systematic approach to tackling new challenges small businesses face with. It should be based on ensuring economic security. Which is why the purpose of this study is identifying main threats to the components of economic security of small family business in accordance with its specifics.

The object of the study is given in the fig.1 and lays *at the intersection* of the three spheres – Family Business with its specifics, Small Business with its specifics and Economic security.

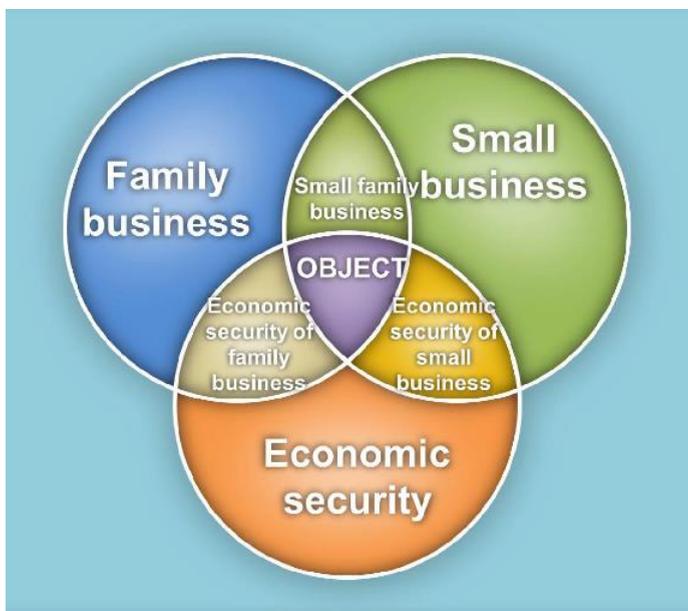


Figure 1. Object of economic security of a small family business

Source: developed by the author

Economic security of an enterprise is a state of its protection from external and internal threats, as well as the ability to quickly adapt to changes in the external environment that are not threatening [8].

The main principles of family business according to D. Kenyon-Rouvinez [9] are: strength in unity, ability to handle conflicts, fairness, social engagement, strong values, pride and mutual support. They might well help any family business to tackle various challenges.

According to Ukrainian Family Business survey, conducted in 2019 by Lviv Business School of Ukrainian Catholic University and Sociological agency Fama [10], there are several traits which help family businesses to survive.

The first is viability, which affects how quickly a business can return to its equilibrium state after extreme events. And family businesses, even if they are very young and have not yet experienced a business crisis, have an advantage. Because, most likely, they faced a crisis in family life: a misunderstanding, a divorce, and the loss of loved ones. And this gave them vitality which can be applied now.

Another advantage of family firms is their entrepreneurship. It is in their DNA, because all family firms come from the founding parents, and the history of the their foundation and development is what children grow up with. And family firms are looking not only for financial benefits, but also for social dividends, a positive impact on the environment in which they work. In fact, the crisis shows the entrepreneurship of family firms: they are able to make quick decisions, adapt, even change the sphere of their activities.

Family firms are based on trust and unity. 77% of respondents in the study [10] mentioned this as an advantage of family business. And these are the values which are especially helpful in times of crisis.

Family business is often much more than just business. This is, above all, philosophy and a set of values. Family business owners plan their future for many years to come. They are not focused on the today's result, but on long-term strategic planning. It is a "long game" and a high level of responsibility [11].

We identified the main threats to economic security of Small Family Businesses caused by pandemic (table 1). Names of components are borrowed from [12] and adapted to small business.

According to [12], economic security components of a firm are types of activity for its ensuring.

To sum up, the main threats to economic security of Small Family Business caused by pandemic are identified and classified in this study by components of economic security. We are sure that the specificity of small business (adaptability to the environment, low operating costs, relatively small savings that make them dependent on state aid in force majeure circumstances, etc.) modifies or even aggravates threats to their economic security, but the listed above traits of family business influence ways of ensuring economic security and increase the chances of survival against all odds.

Table 1

**Main threats to economic security
of Small Family Businesses caused by pandemic**

Components of Economic Security of small firms	Main specific threats caused by pandemic
1	2
1. Financial component (security of financial and economic activities, high levels of profitability, liquidity, financial independence, etc.)	<ol style="list-style-type: none"> 1. Dramatic decline in effective demand and, consequently, in revenue and profit. 2. Lack of financial safety cushion, inability to outlast the temporary lockdown.
2. Intellectual and personnel component (good performance of staff, preservation and development of the intellectual potential)	<ol style="list-style-type: none"> 1. Possibility of losing valuable employees due to the pandemic. 2. <i>Psycho-social</i> problems, <i>overwork</i> and stress, task complexity in remote work, etc., decreased performance. 3. Lack of qualified staff and skills to develop a strategy of survival, diversification, etc.

Table 1 (continued)

1	2
3. Technical and technological component (relatively new equipment, technologies meeting world standards)	<ol style="list-style-type: none"> 1. Lack of equipment and technology for distance working. 2. Firm's existing equipment may be outdated for new working conditions.
4. Legal component (compliance with laws and regulations)	<ol style="list-style-type: none"> 1. Fines imposed for violation of regulations (work during a lockdown). 2. The need to adapt to new conditions and instructions from the state.
5. Informational component (protection of the firm's data and preservation of trade secrets; collection and analysis of all information related to firm's activities)	<ol style="list-style-type: none"> 1. Interception of firm's reports, leakage of valuable data. 2. Cyber-attacks.
6. Power component (physical security of employees and preservation of enterprise property)	Threat of being looted by hooligans and extremists.
7. Ecological component (optimization of costs for ensuring compliance with environmental standards)	No new threats.

The results obtained in the study can be used in further research in this realm, for developing the ways of ensuring economic security of small family businesses.

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