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Budapest Metropolitan University, HUNGARY

Associate Professor, Head of Program Finance and Accounting BA

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Since 2017 she has been associate professor at Budapest Metropolitan University. She defended her PhD in 2006 at Szent Istvan University in the field of business financing. She gained her habilitation in 2011.

She is visiting professor at many Hungarian and international universities. Two students achieved the PhD grade with her supervisor activity.

Her teaching and research areas are enterprise financing, corporate finance, corporate taxation and value methodology.

She is member of the Hungarian Academy of Sciences, Agricultural Economics Committee, International Atlantic Economic Society and vice president of the Society of the Hungarian Value Analysts.

Besides education she is also involved in supporting enterprises as chartered accountant, tax adviser and financial and accounting auditor.

**Dr. habil. Széles Zsuzsanna PhD, VMA**

Budapesti Metropolitan Egyetem, egyetemi docens, szakvezető Pénzügy és Számvitel BA

Magyar Értékelemzők Társaságának alelnöke

2017-től az a Budapesti Metropolitan Egyetem Üzleti Tudományok Intézetének főállású oktatója, korábban óraadója. Diplomáját pénzügy-számvitel szakirányon szerezte 1999-ben. Doktori disszertációját 2006-ban védte meg a Szent István Egyetemen vállalkozásfinanszírozás témakörben és ezzel PhD fokozatot szerzett gazdálkodás- és szervezéstudományok területén, 2011-ben habilitált.

Oktatási és kutatási területe a vállalkozásfinanszírozás, vállalati pénzügyek, vállalati adózás, értékelemzés és a bankszámvitel. Az elmúlt években számos szakdolgozat konzulense és bírálója, egyetemi jegyzetek szerzője. Több hazai és külföldi felsőoktatási intézmény oktatója, államvizsga bizottságok tagja. Több Doktori Iskola munkájában is aktív szerepet vállal. Témavezetésével eddig 2 fő szerzett PhD fokozatot.

A Magyar Értékelemzők Társaságának tagja, 2016-tól egyik alelnöke, a Magyar Tudományos Akadémiai Agrárközgazdasági Bizottságának állandó meghívottja, az MTA köztestületének tagja, valamint az International Atlantic Economic Society tagja.

Az oktatás mellett a szakmai életben is aktív szerepet vállal mérlegképes könyvelő, adótanácsadó és pénzügyi-számviteli szakellenőr.

### **Zoltán SZÉLES, VMA**

Unisource Llc, Hungary, CEO/Innovation and Value Management Consultant



As a self-employed consultant I offer advice and expertise to organizations (mainly SMEs, small and medium-sized enterprises) to help them improve their business performance in terms of operation, profitability, management, structure and strategy.

In my line of work I am involved in several types of analytical and development projects, but generally my responsibilities include:

- conducting research, surveys and interviews to gain understanding of the business,
- analysing statistics,
- detecting issues and investigating ways to resolve them,
- assessing the advantages and disadvantages of possible strategies,
- compiling and presenting information verbally, visually and in writing,
- making recommendations for improvement,
- implementing agreed solutions,
- managing complex research and development projects,
- conducting innovation management development projects, as a certified IMP<sup>3</sup>rove Guide ([www.improve-innovation.eu](http://www.improve-innovation.eu), based on the European Innovation Management Standard, CEN/TS 16555, currently becoming part of the ISO),
- conducting complex value management projects as a registered VMA.

### **Árpád PAPP-VÁRY PhD habil**

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Dean of the Business, Communication and Tourism Faculty

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Professional background:

- Besides university education, Árpád regularly holds training sessions and provides branding consultancy for companies and professionals.
- He is serving as Vice President of the Hungarian Marketing Association.
- His teaching and research areas are country branding, citybranding, personal branding, sports branding and branded entertainment.
- Árpád is the author of four books and several hundred publications, most of which are available online at [www.papp-vary.hu](http://www.papp-vary.hu)

Value and efficiency in a changing business environment  
(Érték és hatékonyság a változó üzleti környezetben)

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**Abstract**

The main goal of every profitable business is to increase its productivity and efficiency. It is important to increase the production, the revenue, the profit and the expenditure decreasing, but the highest result with the smallest investment is the efficiency. The advancement of digitization brings new challenges to economists in every area. To be able to adapt to a changing business environment, you need to know the value. Value has been influenced with the customer's/user's purpose, requirements and perception.

A termelékenység és a hatékonyság növelése minden profitorientált vállalkozás fő célja. Fontos a termelés, a bevétel, a profit növelése és a költségek csökkentése, a legkisebb befektetéssel a legnagyobb eredményt elérni ez a valódi hatékonyság. A digitalizáció előretörése, minden területen új kihívások elé állítja a gazdasági szakembereket. Ahhoz, hogy alkalmazkodni tudjanak a változó üzleti környezethez, ismerniük kell az értéket. Az értéket befolyásolta az ügyfél / felhasználó célja, követelményei és észlelése.

**Keywords:** value, cost, function, efficiency

**Introduction**

The views of researchers, economists and experts on the factors urging or hindering the growth of SMEs rarely match. They have examined this situation from different points of view. Most of the Hungarian enterprises operate in this sector, so it was the main inhibiting factor for them during the last decades. According to Gibrat (1931) states that the rate of growth is not dependent on the size of a company (Sutton, 1997). Barney et al. (2001) consider the role of the available resources, Perren (1999) the owner's motivation for growth, expertise, the available resources and the demand as decisive, while Ghoshal et al. (2002) argue for the importance of the competences of the entrepreneurs and the corporate organization. Porter (1980) emphasizes the importance of competition within the industry, the suppliers and customers, the new entrants, and substitute products. The strategic management is concerned with understanding the internal and external environment of the organization and establishing a future direction of the organization. The way in which organizational structure and process are configured and adapted through the strategic management creates a 'value chain' (Porter, 1985). It is worth highlighting Drucker's (1985) comment which says that the reason for the rapid development of US SMEs is that as a result of the accelerating „technological” progress

flexibility has become a key factor in corporate competitiveness, and thus the competitive strength of small companies, which are more flexible than bigger ones, has improved.

These days, the global economy is characterized by growing competition. As cost pressures increase, companies have begun spending less on incremental innovation and allocating more of their declining research and development budgets to breakthrough innovation. However, breakthrough innovation carries huge risks, so companies require a unique set of capabilities to manage these risks, reduce product costs and drive growth. (Moebius – Staack, 2015) (Jay – Bowen, 2015)

Innovation can occur in several ways, such as learning by doing, imitation and by innovative use of existing knowledge. (Kenyeres et al, 2016) Yet the most promising approach is research. This is why research and development play such an unquestionably great role in terms of long-term growth. (Baranyi et al, 2016)

### **Value Management**

“Value management (VM) is a proactive, creative, systematic and team-oriented methodology that maximizes the functional value of a project by managing its development from concept to occupancy according to the value requirement of the client.” (Gui et al, 2006)

According to SAVE International the Value Methodology is „also known as value engineering (VE), value analysis (VA) and value management (VM), so the Value Methodology process can optimize projects, processes and product development in significant ways. Through this process, companies and government agencies regularly:

- decrease costs,
- increase profits,
- improve quality and performance,
- enhance customer satisfaction.”

The evolution can be traced from typical definitions provided by Miles (1961), Zimmerman and Hart (1982) and Kelly and Male (1993). Whilst these definitions provide the differences between VM, VE and VA, it is not correct to perceive them as three totally different processes. VM in construction is increasingly being seen as the term to describe the total process of enhancing value of a project for the client from concept to operation. VE and VA can be viewed as special cases of the generic discipline of VM, whose focus is on improving value in the design and construction stages of a project (Male et al., 1998).

Value management is taken as an umbrella term embracing the three processes, namely: value planning, value engineering and value reviewing. (Cooper - Potts K, 2009)

This investigation concentrates on value engineering which is defined as ‘A systematic approach to delivering the required functions at lowest cost without detriment to quality, performance and reliability’ (Connaughton – Green, 1996).

Through the function definition, function rearrangement and function evaluation, the functions of innovation management and the cost of each function are confirmed, and then the application

of value engineering improve the efficiency of enterprise' s innovation management. Value engineering applied to innovation management, its emphasis is on the functional analysis of innovation management. (Zhong - Zhang, 2009)

According to Thiry (2004) the value method retains the three basic concepts of function, cross-functional teams and a structured process. Its use has spread to, inter alia, strategic planning, process re-engineering, organizational change and concurrent engineering. Different study styles have been put forward as suitable for strategic studies, in contrast to other styles for organization change or various project specific outcomes (Kelly et al., 2004). Possibilities continue to be explored, more recently with the development of balanced scorecard and strategy maps (Davies and Davies, 2011). In essence, new applications of value management continue to emerge – making it a powerful tool for entrepreneurial development. (Jay – Bowen, 2015) This is the most important for enterprises, so they can find a powerful equipment for development. It is important to increase the production, the revenue, the profit and the expenditure decreasing, but the highest result with the smallest investment is the efficiency.

Before we continue logically we should go back to the value definition. First, we have examined the fundamental statements about value methodology and its elements.

What does value mean? How can we calculate it? What is the background for the calculation? These are crucial questions, in case we would like to analyse the value as a definition. According to SAVE International „the value is the reliable performance of functions to meet customer needs at the lowest overall cost.” The formula which can be used is the following:

$$Value = \frac{Function}{Cost} \quad \text{(Equation 1)}$$

In this formula the function can be what the product or service supposed to do and cost is the expenditure needed to create it.

Cost can often be measured by the amount paid by the customer/user, but function is not easy to measure objectively due to its inherent subjective quality as well as value. Value has been influenced with the customer's/user's purpose, requirements and perception. (Gui et al, 2006)

In our opinion, managers can get into a situation when they hesitate or cannot decide what the acceptable price is for the product or service. According to analysts the cost is easier to measure as part of the value, but we may not share this statement. A lot of different factors can influence the expenditure, these are as follows:

- individual aims;
- user's requirement;
- customer's observation;
- the global economy: for example, the economic and financial crises has influenced our lives and user's price sensitivity;
- different kind of possibilities on the market etc.

## **Rapidly Changing Business Environment**

In last decades, according to Harvard Business Review Research in some industries business models have changed or opportunities to grow revenue aren't what they used to be, which adds to the allure of efficiency for efficiency's sake.

An uncertain global economic situation shifted the focus of many enterprises toward costs. Businesses are increasingly coming to the realization that simply cutting costs or perpetually postponing investment cannot help for them. In the end, a business must grow, innovate, and create value to live.

Main factors are follows (Harvard Business Review):

- Growing optimism favours growth;
- A double-edged axe: according to Harvard Business Review found not all efficiencies are created equal;
- Driving the middle path: some companies balanced investment with good-cost cutting, such as reducing spending to free up money for investment.

## **Conclusion**

Cost can often be measured by the amount paid by the customer/user, but function is not easy to measure objectively due to its inherent subjective quality as well as value. Value has been influenced with the customer's/user's purpose, requirements and perception.

In last decades, in some industries business models have changed or opportunities to grow revenue aren't what they used to be, which adds to the allure of efficiency for efficiency's sake. An uncertain global economic situation shifted the focus of many enterprises toward costs.

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