



Management features of small and medium-sized business enterprises

Características de gestión de pequeñas y medianas empresas

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ABSTRACT:

In the industrialized countries of the world, small and medium-sized enterprises play an important role in the development of national economies, creating new jobs and providing a basis for the training of highly qualified managers. The article defines the status and importance of small and medium-sized enterprises (SMEs) for economic development, distinguishing the features of SMEs and dominant attributes of their contemporary management. The authors carry out monitoring of planning as one of the main components of the organization's management process and investigate the management organization

RESUMEN:

En los países industrializados del mundo, las pequeñas y medianas empresas desempeñan un papel importante en el desarrollo de las economías nacionales, creando nuevos puestos de trabajo y proporcionando una base para la capacitación de gerentes altamente calificados. El artículo define el estado y la importancia de las pequeñas y medianas empresas (PYME) para el desarrollo económico, distinguiendo las características de las PYME y los atributos dominantes de su gestión contemporánea. Los autores realizan un seguimiento de la planificación como uno de los componentes principales del

of the SMEs. It is proposed to design and use the strategy canvas of a new product or service as a way to implement a specific management strategy aimed at maximizing profits, maintaining the company's image, and expanding market share. The features of SMEs management are considered depending on the stages of the enterprise life cycle.

Keywords: management, small and medium-sized enterprises, management style, sales funnel, the strategy canvas of goods or services

proceso de gestión de la organización e investigan la organización de gestión de las PYME. Se propone diseñar y utilizar el lienzo de la estrategia de un nuevo producto o servicio como una forma de implementar una estrategia de gestión específica dirigida a maximizar las ganancias, mantener la imagen de la empresa y ampliar la participación de mercado. Las características de la gestión de las PYME se consideran en función de las etapas del ciclo de vida de la empresa.

Palabras clave: gestión, pequeñas y medianas empresas, estilo de gestión, embudo de ventas, el lienzo de la estrategia de bienes o servicios

1. Introduction

Doing business in the current context is the prerogative of competent and strategically oriented entrepreneurs. The times, when the market was accepting any solutions offered by novice businessmen, are long gone. The role and importance of management, as well as management culture, and management methodology in today's business is especially important, because today the upsurge of any company in the competition depends on the quality of management, the ability to anticipate every step in advance. Therefore, the improvement of business management should be considered as one of the main factors to improve its efficiency. In the modern context, the problems of innovation in general and new management thinking, in particular, are especially relevant, as well as the ability to build cause-and-effect relationships, to determine the long-term capabilities of a particular business structure (firm), and to develop new business models.

The economic development of each country is provided by large, medium-sized, and small enterprises, as well as individual entrepreneurs. At that, each group of these economy entities occupies the niche most favorable for its functioning. While large enterprises tend to focus on the production of high-labor-intensive products that are in mass demand, SMEs produce products, whose manufacturing is unprofitable for large enterprises.

As noted by R. MacIntyre, it is small private enterprises and entrepreneurs that can play a key role in ensuring the development of the national economy (MacIntyre, 2002, p. 122).

Domestic economists have repeatedly stressed the key role that SMEs can play in creating new jobs and ensuring the dynamic development of the national economy. Thus according to S.Yu. Shevelev, E.A. Shevelev, and L.A. Kropotova, the special importance of SMEs is manifested "during the transition period to a market economy in stimulating the structural adjustment of the economy, forming a new social layer of enterprises-owners as a social base of market transformation of the economy, which ensure the stability of society and guarantees of irreversibility of

movement to the market" (Shevelev et al., 2014, p. 28).

In addition, SMEs quickly and efficiently provide services to the population, as well as other business entities. In addition, SMEs create new jobs and serve the basis for the training of highly qualified managers, who can subsequently work in large public and private enterprises.

Therefore, in some countries, SMEs form a significant part of the gross domestic product (GDP). Thus, according to the Stolypin Institute for the Economy of Growth, in Germany, the proportion of SMEs in total value added amounts to 53%, in Sweden – 58%, in Finland and Israel – 60%, in Norway – 61%, in the Netherlands – 63%, and in Italy – 68%. As a comparison, the proportion of SMEs in Russia's GDP is only 21%. Russia is also noticeably inferior to advanced countries except the United States in terms of the number of SMEs per 100 people. In terms of this indicator, the Czech Republic has 4.7 times more SMEs than Russia, Sweden – 3.4 times, Spain – 2.7 times, and Poland – 2.1 Rossiya i Mir (2018)

A comparison of countries in terms of the proportion of workers employed in the SME sector also indicates a significant lag in the Russian economy. While in Russia the proportion of SME employees does not exceed 1/5 of all employees in organizations, in countries, such as the UK, France, Germany, Romania, and the Netherlands their proportion is more than 50%, while in the Czech Republic, Poland, Turkey, Spain, Portugal, and Italy this figure reaches more than 2/3. The weak development of the SME sector in Russia is confirmed also by another indicator characterizing the size of the SME sector, namely, the proportion of SME turnover. In countries, such as the UK, Brazil, Sweden, Belgium, France, Germany, Romania, the Netherlands, the Czech Republic, Poland, Turkey, and Spain, this indicator is more than 50%, in Italy and Portugal – more than 2/3, while in Russia it is less than 30% Rossiya i Mir (2018)

The analysis of the organizational and economic status of SMEs in Russia has shown that the development of this economic sector is inferior not only to countries with established market traditions but also to the former socialist states.

There are many barriers on the way of SMEs development, which can be classified into external and internal ones. According to R.R. Sidorchuk (2012), the latter include problems in management, lack of qualified personnel, as well as lack of experience and knowledge.

Meanwhile, among the key success factors of SMEs, which plan and achieve rapid growth in turnover, and in number of staff, European researchers attribute primarily a high level of management, especially management of human resource, marketing orientation of the management structure, constant training, and active involvement of external consultants and analysts (Gieraga, 2014; Lorincová et al., 2019; Bezpálov et al., 2019; Petrenko and Stolyarov, 2019; Schouten, 2019).

Given the great economic and social importance of small and medium-

sized businesses, most advanced countries are developing programs to support SMEs. Thus, in the OECD member countries, four main areas of assistance to the SME sector have been identified: facilitating access to sources of financing; creating an appropriate entrepreneurial climate; developing managerial skills; helping to obtain information resources, and creating business networks to facilitate access to markets. Moreover, as noted in the OECD report, the governments of all countries have recognized that the improvement of corporate management in SMEs plays a core role in improving the competitiveness of small firms

In France, for example, in 1993, 2,840 companies were awarded grants to pay for services of consulting firms for a total amount of 173 mln francs. Particular success in this direction was achieved in Japan, where since 1962 nine colleges for SMEs have been established offering 278 long-term and short-term educational programs annually to more than 11 thousand participants

In Finland, training sessions and courses for entrepreneurs are attended by about eight thousand businessmen a year. At that, the training program for executives includes the development of managerial skills, management of various activities, business development forecasting, and planning. The latter is especially important because, as studies have shown, 28.6% of Finnish SMEs do not plan their activities at all, while only 10.1% of firms have a developed strategic plan (Kuivalainen et al., 2015).

Another SME study conducted in Germany has shown that more than 80% of companies do not develop long-term plans. Most of them have a financial planning system based on budgeting. In many companies, these are very simple budgets, and there is no activity that could be called strategic planning (Herr and Nettekoven, 2017).

The managers of SMEs often do not have special education, and studied management independently in practice. Government programs offer them qualified assistance providing a system of grants to attract specialists. As the French practices show, such recruitment schemes were predominantly used by small businesses – 59.9% (among them 25.1% – by the medium-sized firms, and 13.1% – by microfirms)

Therefore, the problem of SME management is typical not only for Russia but also for many countries of the world. As noted by A.P. Medvedev (2013, p. 46), "improving the competitiveness of small and medium-sized entrepreneurship and ensuring its sustainable development is impossible without continuous improvement of production processes and the implementation of advanced, including management, technologies".

The purpose of the present article is to identify the features of SME management, as well as to distinguish areas of concern in the business structures (firms) management to find out the causes and sources of business inefficiency, and consequently, to offer a way to assess the forecast expectations from the implementation of a new business model of the enterprise structure (firm), when designing a strategy canvas of a

new product or service.

Research hypothesis consists of the idea that the solution of SME management problems lies in the implementation of modern management models, whose essence is based on principles generally accepted in the world practice. According to the results of the study, it can be concluded that the goal set in the study was achieved.

2. Methods

The importance of corporate management in the development of SMEs has caused the need for research on management processes in domestic firms. In order to identify weaknesses in management, reveal the causes of problems, and identify priority measures to improve the situation in this area, the authors conducted a remote survey of SME managers, which involved 252 managers.

In terms of the industry affiliation of enterprises, the majority of firms were from the trade sector (54.8%), 10.6% were production companies, while the rest were financial and intermediary firms, as well as companies representing construction, transport, tourism, service, etc. (Table 1).

Table 1
Sectoral distribution of respondents, %

| Field of activity | Proportion, % |
|---------------------------------------|---------------|
| Trade | 54 |
| Production | 10 |
| Construction | 6 |
| Transport | 3 |
| Public catering | 5 |
| Tourism | 2 |
| Financial and intermediary activities | 10 |
| Consumer service | 4 |
| Multifunctional organizations | 6 |

3. Results and discussion

The results of the SME manager survey are presented in Tables 2-3.

Monitoring of planning as the main component of the management process of the organization has shown that it is the most critical area in the SME management: it is used by just 24% of respondents (Table 2).

Table 2
The implementation of the planning function by managers

| | |
|----------------------|-------|
| Do not plan | 76% |
| Are planning | 24% |
| among them: | |
| short-term planning | 47.2% |
| operative planning | 75% |
| medium-term planning | 30.5% |
| long-term planning | 8.3% |

The majority of those who plan their activities are limited to the preparation of short-term and operative plans (47.2 and 75% of entrepreneurs, respectively), 30.5% of managers use medium-term planning, while only 8.3% are practicing long-term planning.

Analysis of planning of functional areas (Table 3) has shown that financial planning is used most often (94% of managers, who are engaged in planning), the next are production planning (42%) and material resources planning (37%). At that, marketing, foreign economic activity, and corporate development are planned on rare occasions.

Table 3
The types of planning used by SMEs

| Types of planning | Proportion, % |
|------------------------|---------------|
| Development planning | 3 |
| Foreign trade planning | 5 |
| Marketing planning | 14 |
| Personnel planning | 28 |
| | |

| | |
|----------------------------|----|
| Investment planning | 36 |
| Material resource planning | 33 |
| Production planning | 42 |
| Financial planning | 94 |

Thus, there is a need to develop measures that would help SME executives to implement and improve the corporate planning system.

When it comes to improving the efficiency of management of SMEs, it should be noted that effective management of socio-economic systems is carried out under the condition of personal shared responsibility for achieving a clearly defined goal that is possible only in the case of differentiation of labor in the managerial apparatus and the provision of managers with all levels of appropriate authority and rights to adopt positive and negative sanctions.

An integral part of management is also the existence of goals that must be achieved through persevering activities. Goals can be set independently or externally, by the highest level of management. They should be clear, definitely formulated, such that can be really achieved and monitored. Otherwise, it is only about desires or intentions.

A characteristic feature of SME is the versatility of actions taken by a businessman, who founded and runs a business at his own risk, is responsible for the results of activities, and makes decisions. Therefore the SME management is characterized by both features inherent in large enterprises, and at the same time the following features typical for SME:

- combining the functions of manager and owner;
- the absence of planning departments in many enterprises, which is the reason that the plans are not being documented;
- SMEs are adaptive systems, which are characterized by a flexible organizational structure, temporary assignment of tasks and work to performers, decentralization of authority and responsibility, the benefits of horizontal linkages, minimal use of formal rules and procedures, and readiness for change;
- use of flexible control methods;
- advantage of oral (verbal) communication (Voronkova et al., 2018).

According to V.N. Tashlykov, the management system of SMEs should be characterized by simplicity and flexibility. The main criterion of its optimality is to ensure the competitiveness of the enterprise. At the same time, the organization of management provides for the resolution of the following issues: 1) creating the company structure; 2) distributing powers; 3) and forming a decision-making mechanism (Tashlykov, 2016).

The organizational structure serves the means for achieving the set goals

of the enterprise. Its formation should begin with the definition of enterprise goals and strategies. The structure of the firm is formed after the choice of strategy and is determined by the strategy, that is, the structure changes when the strategy of the firm changes. At that, the structure of a sole-owned enterprise is typical for SMEs. With this form, the management is carried out by the enterprise owner, who takes on business risks.

Structure rationalization, typical for the SMEs, is the formation of small units with highly qualified personnel, the minimum number of management levels, focus of the enterprise on consumers, quick response to changes in the external environment, high productivity, and low costs.

Among the factors that affect the structure of the enterprise, it is necessary to distinguish the production technology, the external environment, the scope of the business, and the decision-making system. The effectiveness of the SME management system also largely depends on the timely identified problems, the so-called blind spots of business.

The next important stage in the SMEs management system is the formation of a decision-making mechanism. This process should take into account the influence of consumers and competitors. To do this, it is advisable to use the assessment of the forecast expectations of a new product or service offered by the company for implementation, the so-called strategy canvas, which is developed in the following sequence.

- Firstly, it is necessary to determine the criteria that are important for potential consumers, when choosing products (services) of a certain industry. The maximum number of such criteria should not exceed ten to reduce the complexity of the analysis. It is important to take into account that when choosing criteria, it is necessary to evaluate them from the viewpoint of the consumer, rather than the firm. For example, a perfect management system means nothing for customers if it does not lead to better service and low prices.

- Secondly, one should evaluate the goods or services of the main competitors according to similar criteria, and develop their strategy canvas.

- Thirdly, the goods or services offered by a particular firm should be evaluated, and own strategy canvas should be designed. If the criteria are basically the same, it means that the offers of the firm are not sufficiently differentiated, while exactly this fact leads to price competition and lower profits.

The market economy conditions are more demanding to executives, so a new concept of organization's evolution should be developed, which should meet the needs of new economic formations at all stages of their life cycle.

Any enterprise goes through at least three phases: the first phase is the launching and the beginning of the activity, the second is the phase of consolidation in the market and competitive environment, and the third is

the phase of expansion and development that leads to sustainable profit. The main task of the entrepreneur is to minimize the period of the first two phases. In other words, it is necessary to overcome these phases at maximum pace with a minimum of barriers (Shamrai, 2010).

Each of these phases has its own management processes, which for SMEs have certain features. Basically, they stem from the imperfection of the organizational structure, the lack of a clear division of managerial labor, and small-scale production.

However, the initial phase of the enterprise's existence can be considered almost the most important, because it determines the main aspects of the enterprise. To better understand the importance of the early stage of the business, American scientists N.C. Churchill and V.L. Lewis developed a model which included five stages of SME development (Churchill and Lewis, 1987).

At the first stage (market entry), the company is just starting its business. The main task here is to attract the interest of the consumer to offered goods or services. Important issues are to ensure the production of products that meet the requirements of the consumer, as well as the search for funds to cover the initial costs. At this stage, many businesses go bankrupt.

The second stage is called survival. At this stage, the main thing is to achieve a certain turning point in the formation and profit earning to expand the enterprise funds. Entrepreneurs are trying to form a sufficient amount of funds to finance the company growth and ensure the current assets ratio. This stage determines the further fate of the enterprise. At that, the enterprise can be managed by a manager, who is not its owner.

At the third stage, the enterprise is characterized by a good economic condition, and the level of revenues is above average. The enterprise is able to stay at this stage for a quite long period if it adapts to environmental changes and emerging internal problems. The owners work together with the management and solve the problems of the corporate finances to invest in future projects.

The main problems of the fourth stage are related to the following aspects: how to accelerate the growth of the enterprise and how to finance it. Important issues that need to be addressed are whether the owner wants to shift the responsibility for managing a growing enterprise to others and whether the cash flow will be sufficient to ensure the normal functioning of the enterprise. At the same time, poor management and unwillingness of executives to transfer responsibility can lead to undesirable changes in the management structure. If at this stage efforts are not successful, the enterprise may find itself at one of the previous stages.

At the final fifth stage, the company must combine and control the financial revenues that result from its growth. However, at this stage, growth may stop due to the lack of innovation and the disappearance of development motives. Depending on how quickly the changes are

implemented, the company may return to growth or go bankrupt. At this stage, the company should move to the active implementation of innovations.

All managerial work at SMEs can be reduced to certain basic processes, namely: setting the task, planning and forecasting, coordination and decision-making, marketing, the motivation of activity, and control over the implementation of set tasks. This helps the managers to coordinate effectively their further actions for managing the enterprise.

It should also be remembered that an integrated approach makes it possible to determine the functions of enterprise management subsystems and complex large systems in which the entrepreneur has to act. Because the systems, with which the entrepreneur cooperates, make up the elements of other larger subsystems (namely, the economic complexes of areas, cities, regions, and industries involving many companies and enterprises various in terms of their business sectors), it should be borne in mind that these systems and subsystems are in constant dynamics; they are modified, improved, reorganized (and possibly degrade or disappear).

4. Conclusion

Small and medium-sized businesses play an important role in ensuring the dynamic development of the Russian economy, creating new jobs, developing investment and innovation, and training future managers to manage large companies.

The management process in SMEs should be based on the basic functions of management, its adaptation to the characteristics and needs of a particular enterprise. The peculiarity of SMEs is the simplicity of the management, as well as small managerial staff. As a rule, there is no separation of ownership and management functions, since there are no practices of the delegation of authority. One of the main features of SMEs is the lack of regimentation of the initiative, attention is focused on informal communication, which is characterized by high intensity, and, in fact, becomes a system of strict control.

An important task of SME managers is to be as flexible and adaptive to the business environment as possible, to thoroughly investigate the business, the external environment, and the factors affecting the enterprise operation, using the appropriate tools.

Surely, there is no universal formula, which can be used by the manager to increase the profits of the enterprise effectively and within a short time. For the Russian practice in the field of management, the following tasks are particularly relevant today.

- 1) First, the implementation of successful foreign management practices after the proper adaptation. Since today knowledge has the ability to age quickly, the ability to think logically and analytically, identify the causes, and predict the consequences, as well as be able to learn actively, becomes the key factor of an effective employee;

2) Second, it is always important to understand the business environment in which the entrepreneur works, as well as the current challenges that this environment creates. And for this purpose it is necessary to communicate with counterparts from other enterprises, jointly forming an understanding of the market and developing the relevant solutions.

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