

# **A Scope of the Management of Small and Medium-sized Business**

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# Micro, small and medium-sized enterprises – new dimensions of the definition

‘Micro, small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment. The new SME definition, which entered into force on 1 January 2005, represents a major step towards an improved business environment for SMEs and aims at promoting entrepreneurship, investments and growth. This definition has been elaborated after broad consultations with the stakeholders involved which proves that listening to SMEs is a key towards the successful implementation of the Lisbon goals’

**Günter Verheugen,**

Member of the European Commission

Responsible for Enterprise and Industry

# Micro, small and medium-sized enterprises – new dimensions of the definition

‘The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.’

**Extract of Article 2 of the Annex of  
Recommendation 2003/361/EC**

# Criteria for determining a company in EU

The main factors determining whether a company is an SME are:

- ✓ **number of employees** and
- ✓ **either turnover or balance sheet total.**
- **Medium-sized company** – less than 250 persons; till € 50 million turnover; till € 43 million balance sheet total
- **Small company** – less than 50 persons; till € 10 million turnover; till € 10 million balance sheet total;
- **Micro company** – less than 10 persons; till € 2 million turnover; till € 2 million balance sheet total.

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# The definition of small business

Small business is defined as:

Designation for firms of a certain size which fall below certain criteria (that varies from country to country) in terms of annual turnover, number of employees, total value of assets.

<http://www.businessdictionary.com/definition/small-business.html#ixzz2BtplBWoe>

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# **The U.S. Small Business Administration's (SBA) definition**

SBA defines a small business concern as one that is independently owned and operated, is organized for profit, and is not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on sales volume averaged over a three-year period.

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# The U.S. Small Business

## Administration's (SBA) definition

Examples of SBA general size standards include the following:

- ✓ Manufacturing: Maximum number of employees may range from 500 to 1500, depending on the type of product manufactured;
- ✓ Wholesaling: Maximum number of employees may range from 100 to 500 depending on the particular product being provided;
- ✓ Services: Annual receipts may not exceed \$2.5 to \$21.5 million, depending on the particular service being provided;
- ✓ Retailing: Annual receipts may not exceed \$5.0 to \$21.0 million, depending on the particular product being provided;
- ✓ General and Heavy Construction: General construction annual receipts may not exceed \$13.5 to \$17 million, depending on the type of construction;
- ✓ Special Trade Construction: Annual receipts may not exceed \$7 million;
- ✓ Agriculture: Annual receipts may not exceed \$0.5 to \$9.0 million, depending on the agricultural product.

# China's definition of small and medium-sized enterprises

- Medium-sized enterprises are defined as such companies if they employ 300 to 2,000 people, have annual sales of 30 to 300 million yuan and own assets worth 40 to 400 million yuan.
- Companies that employ fewer than 300 people, earn less than 30 million yuan in annual sales and have assets of less than 40 million yuan are classified as small-sized.

**Research Center for Small and Medium-sized Enterprises at the Chinese Academy of Social Sciences**

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# Turkish definition of small and medium size enterprises (SMEs)

Micro enterprises are defined as firms with less than 10 employees and no more than 1 million liras in annual net sales or any of the financial balance sheet items.

Small enterprises are firms with less than 50 employees and no more than 8 million liras in annual net sales or any of the financial balance sheet items.

The number of employees for medium size enterprises must be less than 250 and these companies have no more than 40 million liras in annual net sales or any of the financial balance sheet items.

<http://www.hurriyetdailynews.com/definition-for-smes-broadened.aspx?pageID=238&nID=33953&NewsCatID=345>

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# Russian criteria for defining the SMEs

The federal law #209-FZ "On small and medium business development in the Russian Federation" which defines small, medium-sized and micro enterprises was adopted in 2007.

There are two indicators: headcount and turnover.

- **Medium-sized enterprises**: 101-250 persons; RUB 1 billion which is  $\approx$  € 24 mln;
- **Small enterprises**: 15-100 persons; RUB 400 mln or  $\approx$  € 9.6 mln;
- **Micro enterprises**: 1- 15 persons; RUB 60 mln. or  $\approx$  € 1.4 mln.

Source: European Commission. Enterprise and Industry. Small and medium-sized enterprises (SMEs): SME Definition; Federal law #209-FZ "On small and medium business development in Russian Federation".

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# Importance of the small businesses

## Small business:

- secures the majority of the workforce all over the world, in any country;
  - contributes substantially to employment growth and economic prosperity;
  - is the first step to business in a large scale;
  - is flexible and responds easily to changes in demand;
  - has an innovative potential for the management of processes and people;
  - caters the local communities' demands;
  - is competitive through customised goods and services;
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# Importance of the small businesses

## Small business:

- provides niche products and services which a larger firm might overlook;
  - in times of recession establishes a large number of people on vacant job positions;
  - creates good ideas and lots of jobs through expansion;
  - encourages personal development and long-life learning;
  - is characterized by a lack of bureaucracy (in comparison with large firms), etc.
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# Roles of the Small and Medium-sized Enterprises (SMEs)

According to Urata (2000)\* the roles of SMEs include:

- the main player in economic activities in varying sectors;
- the biggest agent of vocations;
- an important player in developing regional economic activities and social community development;
- a creator of new market and innovations;
- For SMEs that have been acknowledged internationally, they have played important contributions in maintaining balance of payment through their exports.

\* <http://www.delhibusinessreview.org/e.pdf>

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# European Union Policy for SMEs

“Managing the transition towards a knowledge-based economy is the key challenge for the EU today. Success will ensure a competitive and dynamic economy with more and better jobs and a higher level of social cohesion.

Dynamic entrepreneurs are particularly well placed to reap opportunities from globalisation and from the acceleration of technological change. Our capacity to build on the growth and innovation potential of small and medium-sized enterprises (SMEs) will therefore be decisive for the future prosperity of the EU. In a globally changing landscape characterised by continuous structural changes and enhanced competitive pressures, the role of SMEs in our society has become even more important as providers of employment opportunities and key players for the wellbeing of local and regional communities. Vibrant SMEs will make Europe more robust to stand against the uncertainty thrown up in the globalised world of today.”

# Problems and difficulties for SMB in EU

- SMEs have lower productivity and grow more slowly than their counterparts in the United States.
- In the US, surviving firms on average increase their employment by 60% by their seventh year, while employment gains among surviving firms in Europe are in the order of 10% to 20%.
- SMEs face market failures undermining the conditions in which they operate and compete with other players in areas like finance (especially venture capital), research, innovation and the environment. For example, about 21% of SMEs indicate that accessing finance is a problem, and in many Member States the percentage is much higher for micro-enterprises.

# Problems and difficulties for SMB in EU

- fewer European SMEs innovate successfully when compared to large businesses.
  - There exist structural difficulties such as the lack of management and technical skills, and remaining rigidities in labour markets at national level.
  - a lack of business knowledge and multicultural experience;
  - a lack of project planning and administration;
  - a lack of estimating processes; of working standards, etc.
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# Small Business Act (SBA) – a Concept and Principles

“Small Business Act” aims to improve the overall policy approach to entrepreneurship, to irreversibly anchor the “Think Small First” principle in policymaking from regulation to public service, and to promote SMEs’ growth by helping them tackle the remaining problems which hamper their development.

COMMISSION OF THE EUROPEAN  
COMMUNITIES, Brussels, 25.6.2008

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# Small Business Act (SBA) – a Concept and Principles

First, create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded

Second, ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance

Third, design rules according to the “Think Small First” principle

Fourth, make public administrations responsive to SMEs’ needs

Fifth, adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs

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# Small Business Act (SBA) – a Concept and Principles

Sixth, facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions

Seventh, help SMEs to benefit more from the opportunities offered by the Single Market

Eighth, promote the upgrading of skills in SMEs and all forms of innovation

Ninth, enable SMEs to turn environmental challenges into opportunities

Tenth, encourage and support SMEs to benefit from the growth of markets

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# Good examples of the practice for the implementing the SBA

**Principle 1: Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded**

- Saxony-Anhalt Impulse Network, Germany

Website: [www.impuls-netzwerk.de](http://www.impuls-netzwerk.de)

- Youth Enterprise and Entrepreneurship Strategy in Wales, United Kingdom

Website: <http://www.projectdynamo.co.uk>;  
[www.becauseyoucan.com](http://www.becauseyoucan.com).

- Cap'Ten, be captain of your project, Belgium

Website: [www.ichec-pme.be](http://www.ichec-pme.be)

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# Good examples of the practice for the implementing the SBA

- Emax - the Nordic training camp for young entrepreneurs, Sweden

Website: [www.emaxevent.com](http://www.emaxevent.com), [www.startcentrum.se](http://www.startcentrum.se)

- Kinder Business Week, Austria

Website: [www.kinderbusinessweek.at](http://www.kinderbusinessweek.at)

- Entrepreneurship Days: Emprendemos Juntos – We are all entrepreneurs, Spain

Website: [www.emprendemosjuntos.es](http://www.emprendemosjuntos.es)

- Developing entrepreneurial culture among women, Romania

Website: [www.animmc.ro](http://www.animmc.ro)

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# Good examples of the practice for the implementing the SBA

**Principle 2: Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance**

- Development programme preparing for SMEs' controlled succession of generation, Finland

Website: [www.te-keskus.fi](http://www.te-keskus.fi), [www.yrityssuomi.fi](http://www.yrityssuomi.fi)

- Faster start-up after bankruptcy, Denmark

Website: [www.naec.dk](http://www.naec.dk)

- Help for the self-employed and business owners in difficulty, Belgium

Website: [www.beci.be](http://www.beci.be)

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# Good examples of the practice for the implementing the SBA

## Principle 3: Design rules according to the “Think Small First” Principle

- Public consultation website “Teeme koos”, Estonia

Website: [www.osale.ee](http://www.osale.ee); [www.riigikantselei.ee](http://www.riigikantselei.ee); [www.valitsus.ee](http://www.valitsus.ee)

- Implementation of support services for SMEs on local level though One-stopshops, Slovenia

Website: [www.japti.si](http://www.japti.si)

- Regulation checklist, United Kingdom

Website: [www.businesslink.gov.uk](http://www.businesslink.gov.uk)

- Y4 Committee ,Finland

Website: [www.y4.fi](http://www.y4.fi)

# Good examples of the practice for the implementing the SBA

## Principle 4: Make public administrations responsive to SME needs

- The e-government programme of the Belgian Social sector for SMEs, Belgium

Website: [www.ksz-bcss.fgov.be](http://www.ksz-bcss.fgov.be)

- Single registration points for entrepreneurs, Czech Republic

Website: [www.mpo.cz](http://www.mpo.cz)

- One-Stop-Shop for Entrepreneurs, Germany

Website: [www.one-stop-shop-trier.de](http://www.one-stop-shop-trier.de)

- Micro-business management centre for economic and financial reporting, France

Website: [www.artifrance.eu](http://www.artifrance.eu)

# Good examples of the practice for the implementing the SBA

- Public information web portal for small businesses, France

Website: [pme.service-public.fr](http://pme.service-public.fr)

- CORE - Companies Online Registration Environment, Ireland

Website: [www.cro.ie](http://www.cro.ie)

- Kick-start project, Malta

Website: [www.mcmpgov.mt](http://www.mcmpgov.mt)

- Online company counter, Netherlands

Website: [www.bedrijvenloket.nl](http://www.bedrijvenloket.nl)

- KSU - National services network for SMEs, Poland

Website: [www.euroinfo.org.pl](http://www.euroinfo.org.pl), [www.ksu.parp.gov.pl](http://www.ksu.parp.gov.pl)

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# Good examples of the practice for the implementing the SBA

- Enterprise online, Portugal

Website: [www.portaldaempresa.pt](http://www.portaldaempresa.pt)

- One-stop-Shops for SMEs (VEM), Slovenia

Website: [www.japti.si](http://www.japti.si)

- Central public administration portal, Slovakia

Website: [www.telecom.gov.sk](http://www.telecom.gov.sk)

- Salary-on-web service for small employers, Finland

Website: [www.palkka.fi](http://www.palkka.fi)

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# Good examples of the practice for the implementing the SBA

**Principle 5: Adapt public policy tools to SMEs' needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs**

- eProcurement portal, Luxembourg

Website: <http://www.marches.public.lu>,  
<http://www.mtp.public.lu>

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# Good examples of the practice for the implementing the SBA

**Principle 6: Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payment in commercial transactions**

- Seed and venture capital programme, Ireland

Website: [www.enterprise-ireland.com](http://www.enterprise-ireland.com)

- Loan to small businesses with interest refund, Cyprus

Website: [www.bankofcyprus.com](http://www.bankofcyprus.com)

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# Good examples of the practice for the implementing the SBA

- Public venture capital fund of funds, Latvia

Website: [www.lga.lv](http://www.lga.lv)

- Micro-loan programme for women entrepreneurs and business owners, Spain

Website: [www.ipyme.org](http://www.ipyme.org)

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# Good examples of the practice for the implementing the SBA

## Principle 7: Help SMEs to benefit more from opportunities offered by the Single Market

- Portal for business and export, Czech Republic

Website: [Businessinfo.cz](http://Businessinfo.cz)

- Competence network Netherlands/North Rhine Westphalia  
INTER-NED, Germany

Website: [www.inter-ned.info](http://www.inter-ned.info)

- Public awareness-raising on standardisation, Lithuania

Website: [www.lsd.lt](http://www.lsd.lt)

- CETMOS – The Central European Trade Mark Observation Service, Austria

Website: [www.cetmos.eu](http://www.cetmos.eu)

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# Good examples of the practice for the implementing the SBA

**Principle 8: Promote the upgrading of skills in SMEs and all forms of innovation**

- National e-business strategy, Ireland

Website: [www.entemp.ie](http://www.entemp.ie)

- Innovation management, Hungary

Website: [www.chic.hu](http://www.chic.hu)

- National Innovation Fund, Bulgaria

Website: [www.sme.government.bg](http://www.sme.government.bg)

- The Hellenic Technology Clusters Initiative, Greece

Website: [www.htci.gr](http://www.htci.gr)

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# Good examples of the practice for the implementing the SBA

## Principle 9: Enable SMEs to turn the environmental challenges into opportunities

- A new process of micro finishing surfaces in the ceramics industry, decreasing the environmental impact, Italy

Website: <http://www.fondovalle.it>

- Ecological tax reform, Estonia

Website: [www.fin.ee](http://www.fin.ee)

- EDM - Electronic Data Management in Environment and Waste Management, Austria

Website: [www.lebensministerium.at](http://www.lebensministerium.at)

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# Good examples of the practice for the implementing the SBA

## Principle 10: Encourage and support SMEs to benefit from growth of markets

- Internet Fair, Poland

Website: [www.euroinfo.org.pl](http://www.euroinfo.org.pl)

- Pipe - introduction plan to foreign promotion, Spain

Website: [www.portalpipe.com](http://www.portalpipe.com)

- Sprint - Joining together to compete on world markets, Italy

Website: [www.sprint-er.it](http://www.sprint-er.it)

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# The Business Environment of SMEs

**The environment** can be defined as everything that surrounds a system.

**A business organization** can be described as a system, whose performance is influenced by a whole range of phenomena in its environment.

The business organization and its environment is an **open system**.

Source: Palmer, A., B.Hartley. The Business Environment. Sixth Edition, McGraw-Hill Education (UK) Limited, 2009

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# The Specificity of the Business Environment

- its complexity;
- society's rising expectations for an ethical behaviour of the business organizations as a critical factor to the survival of some businesses;
- fast transformation processes that add value to the inputs from the business environment and set as a premise paying more to the business organization than the cost of resources that it has used up in the production process;

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# The Specificity of the Business Environment

- “external environmental influences have a tendency to be continually shifting, having the effect of undermining the current balance within the system”;
- there are huge amounts of digital data which provide data-driven decisions of business organizations\*- this usage of big data enables managers to decide on the basis of evidence rather than intuition;
- the big data movement, like analytics before it, seek to glean intelligence from data and translate that into business advantage;

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\* McAfee, A., E. Brynjolfsson. Big Data: The Management Revolution. Harvard Business Review, October 2012, pp.61-67

# The Specificity of the Business Environment

- “new sources of information and ever-cheaper equipment combine to bring us into a new era: one in which large amounts of digital information exist on virtually any topic of interest to business – mobile phones, online shopping, social networks, electronic communications, GPS, and instrumented machinery all produce torrents of data”;
- the available data are often unstructured – not organized in a database;
- data-driven companies improve their business performance;

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# The Specificity of the Business Environment

- there exist a necessity of:

**Leadership teams** to:

- \* set clear goals;
- \* define what the success looks like;
- \* ask the right questions;
- \* set and develop the vision of their company;

**Business leaders** to:

- \* spot a great opportunity;
  - \* understand how a market is developing;
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# The Specificity of the Business Environment

- \* think creatively and propose truly novel offerings;
- \* articulate a compelling vision;
- \* persuade people to embrace it and work hard to realize it;
- \* deal effectively with customers, employees, stockholders and stakeholders

## Entrepreneurs who:

- \* never start business alone;
  - \* never start a business with anyone else;
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# The Specificity of the Business Environment

- \* keep things simple;
  - \* come up with a complex idea that no one can copy;
  - \* start with good people; they'll know what to do;
  - \* watch their people like a hawk;
  - \* make something customers want;
  - \* come up with something that customers don't know that they need;
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# The Specificity of the Business Environment

- \* spend as little money as possible;
  - \* remember that you get what you pay for;
  - \* have persistence;
  - \* don't throw good money after bad;
  - \* are self-confident;
  - \* are humble;
  - \* work hard;
  - \* work smart;
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# The Specificity of the Business Environment

- \* are leaders;
- \* follow the lead of others;
- \* spot a trend;
- \* follow the beat of a different drummer, etc.

Source: Shane, A. S. (2008), The Illusions of Entrepreneurship. The Costly Myths That Entrepreneurs, Investors, and Policy Makers Live By. Yale University Press/New Haven & London, pp. 111-112.

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# Innovation and Small Business

“Small businesses are making an important contribution to the development of technological innovation within industries at regional and national levels.”\*

Innovation can be seen as a competitive advantage of the business organization. To define an innovation is the first step for the initiation and organization of a business.

\* Source: Thomas, B., Ch. Miller, L. Murphy. Innovation and Small Business: Volume I, Ventus Publishing ApS, 2011

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# Innovation and Small Business

Innovation can be considered as:

- “a new way of doing something” (Wikipedia) It may refer to incremental, radical and revolutionary changes in thinking, products, processes or organizations.
- “as the tool or instrument used by entrepreneurs to exploit change as an opportunity” (Peter Drucker)

<http://www.druckersociety.at/repository/scientific/Pearl.pdf>

# Innovation and Small Business

Innovation can be considered as:

- “application of a new method or device” (Collins, 1997);
- “successful exploitation of a new idea” (Thomas and Rhisart, 2000);
- “the multi-stage process whereby organizations transform ideas into new/improved products, services or processes, in order to advance, compete and differentiate themselves successfully in their marketplace” (Baregheh et al., 2009);
- “the central issue in economic prosperity” (M.Porter, 1947)

# Entrepreneurial strategies of SMB

## First, Being Fastest with the Mostest

The aim from the start is to gain a leadership position being the first with the most; to become the unchallenged leader in an economic field. (Drucker)

This requires:

- implementing a product or a process before a competitor can do it;
- higher research budget;
- systematically cuts in the price of the product or process (because of possible appearance of imitated products with high prices).

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# Entrepreneurial strategies of SMB

**Drucker** made a conclusion that “Being Fastest with the Mostest” is much too risky and much too difficult to be used for anything than major innovations, even though it is highly rewarding when successful.

[http://www.softwareresearch.net/fileadmin/src/docs/teaching/SS04/PM/Gruber\\_Huskic\\_paper.pdf](http://www.softwareresearch.net/fileadmin/src/docs/teaching/SS04/PM/Gruber_Huskic_paper.pdf)

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# Entrepreneurial strategies of SMB

## Second, Creative Imitation/“Hitting them where they ain’t”

In this strategy the innovative entrepreneur doesn't create a new product or service and try to exploit the opportunities of other players' innovation, who were not able to gain from it. Drucker called it “creative imitation” because the innovator reworks the product or service, coming up with a slightly more desirable option.

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# Entrepreneurial strategies of SMB

This strategy:

- aims at market leadership;
- is less risky than the first strategy;
- allows easier to find out what customers buy and how to fit their specific needs, because the product is well known;

The main risk of the strategy refers to offering of too many products for too specific needs, resulting in a hard to manage, segmented market.

This strategy is applicable when the original innovator of a new product fails at placing his product successfully at the market.

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# Entrepreneurial strategies of SMB

## **Third, Entrepreneurial Judo**

Peter Drucker states that this opportunity arises mainly in two situations: when corporations spurn innovations out of arrogance (they think the new product or service is not good enough for their enterprise), or when corporations try to get just the high-profit part of a market.

Entrepreneurial Judo aims at entering a market where the established leaders do not defend it or simply do not care about it. It also intends leadership in a market, but it does not challenge the leaders where they are aware of competition, but in areas where they do not care what's going on.

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# Entrepreneurial strategies of SMB

## **Fourth, Changing Economic Characteristics**

In this case, the strategy itself is the innovation. Using this strategy, the company actually converts an existing product or service into new one by changing its utility, its value and its economic characteristics.

Post conversion, there is new economic value and new customers, but no new product or service. It's a commonly used strategy in the high-tech industry.

Pricing is one of the most successful ways to change the economic characteristics of a product or service.

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# Entrepreneurial strategies of SMB

There are several ways of applying this strategy, which main idea is to attract new customers with an existing product. Creating customers is the core concern of any business.

- Creating Customer Utility: this strategy ensures the satisfaction of customers, because it serves their purpose. The main element of this strategy is some additional service that is offered with the product that meets specific customers' needs.

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# Entrepreneurial strategies of SMB

- Pricing: this strategy enables to price different components of a product as it is accepted by customers. It is not so much about cutting the overall price of a product, but about thinking how the price should be divided among its components. Thus, the price of a component needn't always resemble the actual manufacturing or other costs associated with it, but the value it presents to the customer.
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# Entrepreneurial strategies of SMB

- The Customer's Reality: this strategy focuses on selling a product in a way it fits into the customer's imagination and world, and not in a way that resembles the manufacturer's point of view what is quality of a good. This might concern pricing (as mentioned above), but sometimes it might just be enough to think of services or product packages appealing to potential customers.
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# Entrepreneurial strategies of SMB

## - Delivering Value to the Customer:

One should focus on what delivers value to the customer rather than what is product to the manufacturer. Drucker describes it in simple words: “What the customer pays for each piece of the product has to work out as X dollars for us. But how the customers pays depends on what makes sense to him. It depends on what the product does for the customer. It depends on what fits his reality. It depends on what the customer sees as value”.

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# Entrepreneurial strategies of SMB

## **Fifth, Ecological Niche**

This strategy:

- aims at control;
  - obtains a practical monopoly in a small area;
  - is referred to relatively small and unknown companies;
  - secures an offering of a product that is essential;
  - do not stimulate incentives for others to compete.
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# Entrepreneurial strategies of SMB

There are three possible ways of applying this strategy:

- The Toll-Gate Strategy: this means an entrepreneur tries to find a product that is essential to some complex process, but does not represent a big part of the whole thing. The market for this product must be too.
- The Specialty Skill Strategy: One tries to enter a certain field of the market, but not so much because it is too small for more than one enterprise, but because it requires very specialized, very unique knowledge no others are likely to have or to achieve.

# Entrepreneurial strategies of SMB

- The Specialty Market Strategy: this strategy is very similar to the previous one. The difference is that it is not organized around a product or service, but a specialized knowledge of a market. The entrepreneur thus tries to place a more or less common product on a very special market, meeting specific customers' needs that are not as common as the product itself might be in the overall market. This strategy has the same limitations as the specialty skills strategy. The greatest threat is its success, because when the market one occupies becomes a mass market, it is – however complex and difficult to understand it might be - not special any longer.

# Entrepreneurial strategies of SMB

According to Drucker some entrepreneurial strategies fit better in certain situations, while other strategies work better in combination with another. One entrepreneur may combine two or even three into one strategy.

- The strategies are not mutually exclusive.
- The strategies are not always sharply differentiated.
- Each strategy fits certain kinds of innovation and does not fit others.
- Each strategy requires specific behavior on the part of the entrepreneur.
- Each strategy has its own limitations and carries its own risks.

# Opportunities for starting a business

**First step.** Study on regionalization of niches along the following lines:

- traditionally developed regions' activities - crafts, services, tourism, industry, agriculture;
- natural resources and climatic conditions - fertile soil, suitable climate, proximity to the sea/mountains, forests, land;
- local development programs for small and medium businesses - from labor offices, municipal development plans for the region;

# Opportunities for starting a business

- employment opportunities for skilled workers;
- market demand - preferences, unused resources, better quality, convenience, product variety;
- development of the regional private sector;
- infrastructure of the place - the development of commercial, transport, banking and tourism services; traditions, festivals and other holidays of local communities, etc.

# Opportunities for starting a business

**The disposable capital** of the entrepreneur, who is a business owner includes:

- knowledge about planning as an estimate of potential crises and unexpected events and situations;
- organization of interrelated processes, based on the realization of synergy between teamwork and protection of individual interests and objectives of the company;
- stimulating the expression of corporate culture;

# Opportunities for starting a business

- self-control and delegation of organizational time;
- decentralized power and responsibilities to implement efficiency;
- upgrades of own experience while minimizing the costs (time and energy) and maximizing results tied directly to remuneration practices and rewards of the company, etc.

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# Opportunities for starting a business

**The disposable capital** of the entrepreneur includes **skills:** analysis of the global environment, the solvent demand for goods and services for regions and events, practicing a craft or art (carving, painting, pottery, shoemaking, hairdressing, etc.) transport services (professional driving), the repair of equipment, machines and instruments, tailoring services, commercial retail, etc.

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# Opportunities for starting a business

**The disposable capital** of the entrepreneur includes:

- **contacts** – professional ones (consultants, lawyers, distributors, potential partners) personal ones (family, friends, acquaintances, potential partners);
- **property** - real estate, vacant premises (shop, garage, warehouse, barn) animals, land, machines, equipment, technology, patents, licenses, vehicles, etc.

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# The business plan

## **The business plan is:**

- a main strategic document of the business;
  - binding for both start-up and for existing businesses;
  - a reference point on the structuring of ideas, activities and processes of the organization in the long term;
  - a promotional tool to attract new partners, investors and customers;
  - a specification of the product and/or service offered, etc.
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# The business plan

## Structure of the business plan

### First section: The Company

1. The name, main office and company registration
  2. The purpose, mission, goals (personal, professional, of a social responsibility)
  3. A brief history of the company; information about the most significant achievements, awards, recognition
  4. Contacts: address, phone, e-mail, website
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# The business plan

## Structure of the business plan

### Second section: Market Analysis

1. The industry - key market indicators (demand, supply, trends, output); generated income and profit opportunities in different segments; criteria for entry into the industry (quality; standards that are required, professional orientation of business, etc.).

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# The business plan

## Structure of the business plan

### Second section: Market Analysis

2. Products or services that will be offered - existing, new or improved versions of existing ones, detailed description and specification; technological cards to make the process of production/service realization

3. Customers - determination factors: market segmentation, user profile, market share, market growth, methods and terms of payment by customers

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# The business plan

## Structure of the business plan

### Second section: Market Analysis

4. Suppliers - list of main and reserve partners in supply of the necessary raw materials, semi-manufactured goods, etc.; diversification of sources of supply of raw materials; specifying the options for vertical integration and/or cooperation on the principle of an entrepreneurship network; methods and terms of payment

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# The business plan

## Structure of the business plan

### Second section: Market Analysis

5. Distribution - methods of distribution and logistics (wholesale, retail, through intermediaries)

6. Competition - a list of current and potential competitors; scoreboards of indicators: quality, price, competitive advantages, weaknesses, image and identification on the market, etc.

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# The business plan

## Structure of the business plan

Third Section: Technological capabilities – an evaluation of existing technical capacity to perform the production/realisation of a service; available machinery, technology in detailed characteristics and their use in manufacturing and business processes of the enterprise

Fourth Section: Financial plan - to predict and plan costs, revenues, profit, volume of production and opportunities for growth of the company; to generate/accumulate management information

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# The business plan

The process of accumulation of management information by type of expenditure for each quarter provides information on funds spent on:

- raw materials;
  - energy, fuel, etc.;
  - transportation and other external services;
  - wages and benefits;
  - depreciation;
  - other
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# The business plan

In the long-term planning for start undertaking to repay a loan, management information tables are prepared for:

- income from business activities (from the sale of products, from services, rental);
- other revenues (from loans, other financing);
- the costs associated with the main activity (for raw materials; salaries; social security and health insurance; phone; internet and communications; insurance; transport; energy and fuel; for repair and maintenance; marketing and advertising; direct taxes, duties, fees, etc., for lease payments, loan payments, other costs)

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# The financing of SMEs

Financing one's business is often the critical component to success and survival. There is a wide variety of ways this can be accomplished, depending upon the credit history of the business and its establishment in the market.

Finding financing for one's business is just one aspect of the overall financial management of the business and an important factor for the activities of many small businesses.

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# The financing of SMEs

The sources of financing of SME are:

- own funds – savings; annuities; rents; income from employment relationships; donations; funds from family, friends; financial instruments (shares and government securities) and others.

Using personal or family funds to finance a business is called Boot Strapping the business\*. Boot strapping can involve personal investment by the founders, their family and friends and/or the owners foregoing salary.

\* <http://www.smallbusinessnotes.com/business-finances/financing/>

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# The financing of SMEs

- loan capital - bank loans; lease purchase; items at pawnshops, etc.

It is often considered that small businesses have a difficult time borrowing money. This is not necessarily true. Banks make money by lending money. When a business obtains a loan, they must repay the funds with interest over a specified period of time, usually based on past performance of the firm. However, the inexperience of many small business owners in financial matters often prompts banks to deny loan requests.

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# The financing of SMEs

There are a variety of places to get loans:

- \* banks, including savings banks, savings and loans, and commercial banks;
  - \* credit unions which usually have the best terms, but primarily make consumer loans;
  - \* consumer finance companies which make higher-interest loans to higher-risk borrowers;
  - \* commercial finance companies which normally make loans for inventory or equipment purchases that they use as collateral for the loan;
  - \* small business investment companies; or
  - \* private lenders.
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# The financing of SMEs

The most common types of loans given by banks to startup and emerging small businesses are:

- \* working capital lines of credit,
  - \* credit cards,
  - \* short-term commercial loans (one to three years),
  - \* longer-term commercial loans secured by real estate or other assets,
  - \* equipment leasing and
  - \* letters of credit for international trade
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# The financing of SMEs

- participation in entrepreneurial competitions, Business Plan Competitions, grants funding

Grants are a form of funding awarded by a private foundation, or a federal or state government department or agency. They are based on a competitive process with strict guidelines for applying and using the funds with a specific goal that the organization wants to achieve.

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# The financing of SMEs

- Investors;
  - Angel Investors – consultant business organizations;
  - Small Business Investment Companies (SBICs);
  - Venture Capital;
  - Mergers;
  - Going Public;
  - Selling All or Part of the Business;
  - EU structural funds, etc.
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# Business Orientations Toward the Marketplace

Philip Kotler\* considers that marketing management is the conscious effort to achieve desired exchange outcomes with target markets. Some current trends in marketing management of a company are:

- **Reengineering**: From focusing on functional departments to reorganizing by key processes, each managed by multidiscipline teams.
- **Outsourcing**: From making everything inside the company to buying more products from outside if they can be obtained cheaper and better. Virtual companies outsource everything, so they own very few assets and, therefore, earn extraordinary rates of return.

\* Kotler, P. Marketing Management Millenium Edition. Tenth Edition, Prentice-Hall, Inc., 2000

# Business Orientations Toward the Marketplace

- **E-commerce**: From attracting customers to stores and having salespeople call on offices to making virtually all products available on the Internet. Business-to business purchasing is growing fast on the Internet, and personal selling can increasingly be conducted electronically.
  - **Benchmarking**: From relying on self-improvement to studying world-class performers and adopting best practices.
  - **Alliances**: From trying to win alone to forming networks of partner firms.
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# Business Orientations Toward the Marketplace

- **Partner – suppliers:** From using many suppliers to using fewer but more reliable suppliers who work closely in a “partnership” relationship with the company.
  - **Market-centered:** From organizing by products to organizing by market segment.
  - **Global and local:** From being local to being both global and local.
  - **Decentralized:** From being managed from the top to encouraging more initiative and “intrepreneurship” at the local level.
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# Opportunities to achieve marketing effectiveness

The company has to:

- implement a segmentation of the market; choose the best segments and develop a strong position in each selected segment.
- take into account perceptions, preferences and behaviors of clients and to motivate all employees of the company to serve and satisfy customers.
- know what are the main competitors and their strengths and weaknesses.
- build up partnerships.
- develop systems for an identification of opportunities.

# Opportunities to achieve marketing effectiveness

The company has to:

- manage the marketing planning system, leading to predictions of long-term and short-term plans.
- exercise strong control over its mixes of products and services.
- build up strong brands by using the most effective communication and promotional tools.
- establish leadership and team spirit among its various divisions.
- constantly absorb technologies leading to a competitive advantage in the marketplace.

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# Conclusion

First, it is necessary to examine the competitiveness of the industry in which the small business operates and develops using criteria: a competitiveness of the production, labor productivity and growth in the sector\*.

\* Velev, Ml. An Approach towards Research and Analysis of the Sector Competitiveness. Proceedings of the “Economics and Management’ 2010”, ISSN 1314-197X

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# Conclusion

Second, the implementation of the company's strategic policy is impossible without well-developed, evaluated and rationalized policy of technological development. This policy actually forms the concept of the economic performance of the company and is a major factor for its success \*.

Демирова, С. Алтернатива на иновационното остаряване в направление на снижение себестойността на индустриалните продукти, Юбилеен конгрес с международно участие „НАУКАТА И ОБРАЗОВАНИЕТО В БЪДЕЩЕТО”, ТУ –Варна, 2012

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# Conclusion

Third, “The introduction of innovation and the increase in their numbers reflected in the new products is a major challenge for most organizations today. The result is that many companies are working at a slow pace, and handle many expensive resources, which is difficult to manage and control.”\*

Демирова, С. Управление на жизнен цикъл на продуктовата иновация с използване на PLM. Научна конференция PY&CY, 2011

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# Conclusion

Fourth, the increasing of the market opportunities favors the segmentation and positioning of the enterprise according to the resource availability and competent and efficient management of human resources.

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