

UDK 334.02.6

**Honcharenko I.***Ph.D., Senior Lecture,**Department of service management,**Kyiv National University of Technologies and Design***THE IMPLEMENTATION FEATURES OF THE STRATEGIC MANAGEMENT PROCESS IN ORGANIZATIONS OF SMALL AND MEDIUM BUSINESSES****ОСОБЛИВОСТІ РЕАЛІЗАЦІЇ ПРОЦЕСУ СТРАТЕГІЧНОГО УПРАВЛІННЯ В ОРГАНІЗАЦІЯХ МАЛОГО ТА СЕРЕДНЬОГО БІЗНЕСУ****ANNOTATION**

The current status of small and medium business development, as well as the implementation features of the strategic management process and the possibilities to use the basic strategic management tools in their practical activity were studied, and also proposed effective measures to select the development strategy of organizations of small and medium businesses in Ukraine.

**Keywords:** strategic management, small and medium businesses, development strategy.

**АНОТАЦІЯ**

Розглянуто сучасний стан розвитку організацій малого та середнього бізнесу, визначено особливості процесу стратегічного управління та можливості застосування основних інструментів стратегічного управління на практиці, запропоновано ефективні заходи для вибору стратегії розвитку організацій малого та середнього бізнесу в Україні.

**Ключові слова:** стратегічне управління, організації малого та середнього бізнесу, стратегія розвитку.

**АННОТАЦИЯ**

Рассмотрено современное состояние развития организаций малого и среднего бизнеса, определены особенности процесса стратегического управления и возможности применения основных инструментов стратегического управления в практике деятельности, предложены эффективные мероприятия для выбора стратегии развития организаций малого и среднего бизнеса в Украине.

**Ключевые слова:** стратегическое управление, организации малого и среднего бизнеса, стратегия развития.

**Problem statement.** The development of small and medium businesses is one of the priority directions for the economic development of Ukraine under current conditions. Such entities form the economic basis for countries in Europe and the whole world. The government authorities actively support small businesses, which leads to rise of economic sustainability and competitiveness of such entities.

The comprehensive study of the strategic management problems of small enterprises was not represented in the scientific economic literature to the required extent. The study of the strategic management process features, as well as the development strategy selection and its implementation, is urgently required under conditions of business environment of the high level of instability.

**Research objective.** The objective of the present paper is to research of features of becoming and development of strategic management in organizations of small and medium businesses, determine the impact of factors on the imple-

mentation of the strategic management process, to propose effective measures to select the development strategy of organizations of small and medium businesses.

**Exposition.** The following statistics describe the importance of small businesses in the developed countries' economics. For example, the share of small businesses in the production volume amounts to approximately 25% in the USA, 30% – in Great Britain, more than 50% – in Japan. Small businesses provide more than 20% of export in the USA, about 35% – in Japan. The products of small enterprises generate more than 30% of GDP in Germany and France; more than 30–40% of GDP in the Czech Republic, Slovakia and Hungary [1], though in Ukraine this indicator shows only about 10% [2].

The number of employees in small businesses in the EU exceeds 50% of the able-bodied population [3], though in Ukraine not more than 29% of the able-bodied population is involved in small businesses. The main areas of small businesses in the world are the following: consumer services, trade, public catering, industrial production of niche products, software support and consulting services, brokerage operations in the securities market, real estate operations, research and development activity.

Today the priority policies, related to support of small and medium businesses, are governed by the Law of Ukraine “On state support of small and medium enterprises in Ukraine” adopted in March 2012 [4]. The component analysis of support program of small businesses at different organizational levels helps to make conclusion related to the emphasis on the self-regulatory and supporting functions of the government. Thus, in particular, it includes means for reforming of the licensing system by simplifying of the mechanism, which provides the entities with permits. At the beginning of 2014, there are about 700 licensing centres in Ukraine.

However, any support of government institutions remains inefficient due to the lack of small enterprise's strategic capacity for development, as well as available problems in management and strategy development.

Certainly, the organizational and institutional components of the business environment have

impact on life time of small and medium businesses. However, the management system and implementation of the strategic management processes remain essential for successful development of such enterprises.

There is no fundamental difference between the strategic management components of the enterprises of different sizes. However, the difference lies in the content, priorities of use and formalization of the basic elements – defining mission and purposes, performance of the environmental analysis, strategy formation, strategy implementation, evaluation and control of the implemented strategy (table 1).

Table 1  
**Features of the implementation  
of the strategic management process  
at small and medium businesses**

The specific features of small businesses	Impact on the implementation of the strategic management process
1. Focus on a small market share.	Limited strategic alternatives for development in the specific field of activities.
2. Lack of formalized management structure.	Combination of operational and strategic solutions.
3. Owners' management, a small number or absence of management personnel.	Entrepreneurial management style, intuitive approach to the decision making.
4. Dependence on a limited number of suppliers, customers.	Limited alternative options of strategies, the ability to predict risks.
5. Limited range of products, services.	Simplification of the strategic analysis.
6. Limited resources.	Limited alternative strategic options.

A dynamic model of the strategic management in small and medium [5] enterprises studies the analysis of the internal and external environment at the first stage. This stage is important for evaluation of the enterprise's assets, competencies, abilities, experience, social trends, business and industry potential. Hence, the potential abilities and possible threats are determined, the strength of their impact on small enterprises is evaluated, the possibility to conduct business is determined. A business manager's strategic vision is formed on the basis of the business environment analysis.

The second step is the implementation of the strategic control, strategic surveillance, initial conditions control, unforeseen circumstances and strategy implementation control [5].

The strategic surveillance represents the supervisory control of the strategy implementation process, which tool is a systematic scanning of the business environment.

The control of initial conditions allows making the decision on change of the existing enter-

prise's strategy when basic initial conditions are changed, namely factors of the external environment and industry characteristics. The decisions related to the required change of strategy are taken.

The control of strategy implementation is the process of a stepwise evaluating of the implementation of programs, procedures, budgets in the context of the general development strategy. It is designed to identify the necessity of strategy change based on the achieved results of stepwise strategy implementation. It allows reevaluating the existing strategic directions of a small enterprise development.

The practical use of the classical tools for strategic management, which is limited due to congestion by the operational objectives, current issues and lack of managers' competence, form a feature of the strategic management implementation in the practical activity of small and medium businesses.

The choice of development strategy of small and medium businesses is greatly affected by the political and legal factors, as well as the regulatory measures at various levels of public administration.

The following effective measures are proposed to select the development strategy of small and medium businesses:

- implementation of information providing mechanism related to the business conditions in a particular business area, namely the information on: the number of operating enterprises, range of products and services, the number of employees at the certain enterprises, the level of required costs for conduct of business and the critical level of investments in this business;

- mechanism implementation of providing information related to the training programs for management personnel and employees at small enterprises;

- providing information on the state strategic programs for development of the respective regions and business areas for better understanding of the organization's strategic opportunities;

- providing information on the opportunities and requirements of the national and foreign markets;

- engaging of small firms into state orders execution;

- promoting of small, medium and large-sized businesses integration;

- support of small enterprises research, the implementation of benefits scheme for the scientific and developmental work;

- stimulating of small enterprises creation at the higher educational institutions;

- development of modern information technologies to create large databases for different categories of users in the business area;

- formation of clusters and network organizations from the representatives of small and medium-sized businesses in a region;

– creation of data collection vehicle to monitor necessity of the training and support of new enterprises;

– database creation on business services suppliers to small and medium-sized businesses.

The successful development of small and medium businesses depends not only on organizational legal activities and the institutional component of the business environment. The key factors for the successful activity are competence of the owners, managers and employees of the enterprise in a particular business area, as well as use of modern management techniques, the potential of knowledge and opportunities for its development and training [6].

The implementation of the strategic management processes of small and middle enterprises requires the certain qualities of managers and staff. It is the ability of systems thinking, understanding of business processes and enterprise's resources integration in the external market system. The alternative way of thinking, the ability of reasonable estimate of the advantages and disadvantages of each development alternative, are important as well. It is essential to make decisions in time, implement the created strategy, to work in a team and to form a critical mass of supporters of the developed plans under conditions of unstable environment and fast changing of market situation.

The entrepreneurs, owners and managers of small and medium businesses rarely have the aforementioned abilities and qualities. Therefore, training and development of such qualities are essential. The total number of entrepreneurs in Ukraine, who have completed training, retraining and advanced training, amounts to 20,000,

which is not enough when, at the beginning of 2013, there are more than 3,020,400 of individual entrepreneurs, and more than 5,217,000 of employees at the business entities.

**Conclusion.** Thus, the implementation of the strategic management process has certain features in small and medium businesses, which are determined by the peculiarities of the organizational structure of such enterprises and competences of owners and managers. The selection of strategies development depends heavily on the regulatory measures, determining the conditions for business development in a certain business area. The use of the strategic management tools at different stages of the life cycle of small and medium businesses requires a further research.

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