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The Peculiarities of the Small Business's Management in Ukraine

Abstract: In the article the place and importance of small business are defined for the national economy's development, the condition of the development and the peculiarities of the process of small businesses' management are analyzed. The establishment of network structures of the cluster type is proposed and the versions of the participants' cooperation among the types of models of nature structures are considered.

Keywords: small business, management, peculiarities of small companies' management, network structures, clusters.

The business's development is one of the most important elements of the economy's formation in the crisis period, that's why there is a question about the peculiarities of management and the importance of the maximum creation of conditions for a successful development of the small business which, by the way, should contribute not only the solution of social problems, but also serves as one of means for the economy growth of Ukraine and providing of appropriate life level of population.

The small business in Ukraine has got certain features which significantly differ from the enterprises of most foreign countries, i.e.: the low level of the technical capacity with a significant innovative potential; the low level of management, the lack of knowledge, experience, and culture of market relations; the desire for a maximum independence (most foreign small companies work under the terms of the franchising etc., and we almost don't have it); the combination within several types of activities of one small company, the inability to focus on the model of one product of the development in most cases; the absence of the system of self-organization and the poor infrastructure of the small enterprise's support; the absence of the complete and

trustworthy information about the state and the conditions of the market, the low level of consulting services and special educational programs; the practical absence of state financial and credit support; the distrust of western partners and negative psychological attitude of population towards entrepreneurs [1, p. 56-61].

It is noted that official statistic data, despite their incompleteness concerning the small companies' activity, the falsification of statements by the entrepreneurs themselves, still allow following certain trends concerning their development. Thus, the analysis of the state statistics' data [2, p. 31-63] concerning the small enterprise's activity allows to identify the industrial structure and compare to what extent the identified characteristics are fitted to the general Ukrainian trends and the level that has been set in the countries with the developed market economy.

Let's begin with the fact that the development of the small enterprise in the national establishment of Ukraine is not marked with great achievements. In the countries with the developed market economy the number of the employed people in a sphere of the small enterprise, as a rule, exceeds 50% of the population of the working age (EU countries), and in some places, may be closer even to 80% (Japan). Instead in Ukraine in 2014 only 26,8% of the population of the working age was engaged in the small enterprise (and the specific gravity of the small companies forms 95,2% from the general number of registered companies in the country). The small companies' production forms about 50% GDP of the "old" Europe countries (Germany, France); about 30-40% GDP in the "new" Europe countries (Czech Republic, Slovakia, Hungary). To compare with – in Ukraine (according to data of 2014) this index sets about 10,0% [3].

Because our small business basically works on a simple system of the taxation, it is unreal to estimate the actual volume of the product sales (works and services) which comes through the private enterprise. There are widely used "grey and black schemes", the small business just sells a lot of products and buys without documents. Despite the fact that in the small enterprise a large number of people is involved, it gives very small results or just doesn't want to show the real picture.

Besides, for the analysis of the role of the small business in the economy, scientists use an index such as "the volume of the output". This index really reflects how the small and the medium business affect the work of the country's economy. According the official data of 2014, 41,8% of the output was a part of the small

business. And if we count only private entrepreneurs, their share in the output was only 5,5% [2].

Management as a scientific system of the production's organization is one of the most important conditions of the effective and profitable activity of the small companies. The main component which characterizes the process of determines the viability of the small companies is its organized management in a certain way, which should be based on modern achievements of science with specific characteristics of the small business's development and functioning.

One of the essential factors, through which the companies become bankrupts, is the low management's knowledge. Thus, in the USA 98% of failures are due to the poor management (45% - incapacity, 9% - lack of the experience in the industry, 18% - low management experience, 20% - small professionalism, 3% - non-performance of professional duties) and only 2% is explained by the reasons which are not connected with the company's management [4]. In Ukraine the management is also a weak link, especially in the companies, which are presented in a sector of the small business [5]. The studies have proved that only every fifth manager of the small company analyzes the activity's financial results, a third of them does it every week, 42% - only once in a month [6].

The logical continuation of this problem is also derivative problems of the excessive governmental regulation, numerous administrative barriers and low level of an executive discipline in the state authorities which is becoming worse by a high level of the corruption. This position emphasizes almost the worst indicators in Ukraine among other world companies in leading world ratings, especially the World Bank, the Heritage Foundation, the International Management Institute and etc. [7].

Besides, the analysis of the position of the small enterprise's development in Ukraine points that the main reasons of braking this economy sector are:

- an ambiguity and an inconsistency of the current legal base of the enterprise's development;
- an instability and a heavy burden of the taxation, a regulatory pressure which forces most subjects of the enterprise's activity to step aside into the "shadow economy";
- high percents of commercial banks' credit and an absence of governmental financial support hold the development of low profitable but necessary social projects;

- a poor infrastructure of the enterprise's support (the absence or little number of: leasing companies, business incubators, non-bank credit institutions, exchanges, industrial parks, entrepreneurial networks and so on);
- an absence of efficient governmental support of the small enterprise;
- an imperfection of the taxation's system as a result – a presence of non-traditional ways (minimization of taxes, "shadow" activity, bringing to a bankruptcy and etc.);
- a reduction of a business security, a threat of raiding because of an imperfect legislative base for a protection of property rights of the managing subjects.

Understanding the defining role of the small enterprise in the economic and social development, it is necessary to point out such main tasks of the state policy as a removal of obstacles for the enterprise's development; as a pledge of support of the private initiative and self-employment in regions; a promotion of the entrepreneurs' interests in the state and private sectors and in a society in general; an encourage of opening of new companies and a support of already existed ones on the basis of the market competition; an assistance of regional economic development through long-term programs of the enterprise's support.

For an effective development of the small enterprise in Ukraine it is necessary to create a mechanism of an effective interaction between the government and the enterprise's sector. The absence of this mechanism is confirmed by a fact that the small companies don't play a significant role in the Ukrainian economy yet. This is appeared in that they haven't become one of the most important tools of the removal of an imbalance on separate product markets, the creating of new work places and reducing of the unemployment, the activation of innovating processes, the development of the competition, rapid market's saturation of goods and services.

For this we propose to create enterprises' networks of the cluster type which provide significant advantages to the small business in a competitive fight on local and world markets. The network structures focuse primarily on the flexible companies of small and medium business with a permanent innovation and an optional scale.

In a national property of Ukraine the right choice of an option of corporation can help potential participants of the network structure among identified types of models of network structures in a research [8]:

- model I (in the network structures the small companies unite around the large one – the satellites which development depends on a leader's position);
- model II (in the network structures the small companies unite with the large ones but they are directly independent from each other);
- model III (the private companies unite in network structures of a cluster type with state, scientific, and financial organizations, institutions among which there is a close connection on the conditions of independence and mutual interest. Their actions are regulated by an active and passive state policy).

It is quite obvious that in the network structures of the cluster type (model III) the peculiarities of the small enterprise's management, the changeable competition's forms, and also the main sources of competitive advantages are mostly taken into the account which allows to realize the most important connections in technologies, habits, information, marketing and consumer demand that are typical for a whole line of firms and fields.

In conditions of an economic crisis and post-crisis recovery the cluster model III is becoming critically important for a social economic climate in a society. Economic connection, that underlie in this model, are based on long-term contracts (unlike holdings which are based on a property interest) and are accomplished with a help of vertical and horizontal interactions between different business subjects and their relationship in the symbiosis which is determined by a synergy's principle.

In general, theoretical generalizations allow to determine that a concept of an active state policy concerning social economic optimization of a national economy can be based on a formation of "the network structures of a cluster type" which, in our opinion, are highly integrated, purposive, flexible, strategically maneuverable innovational points of growth, in which groups of companies unite for an effective use of sources, an implementation of multiplicative effect on an adjacent territory to them, a joint realization of innovational projects, a creation of strong competitive advantages.

In the beginning of 2016 year The Ministry has adopted a project of the agreement about the Ukrainian's participation in a EU program "The competitiveness of the small and medium business's enterprise" (COSME). In our opinion, it gives a lot of additional opportunities for a development of Ukrainian small and medium companies. Firstly, it's a help in an output on a EU market thanks to consultations and programs of trainings, secondly, opportunities to find partners in EU by an access to a

ramified network of contacts, including investment and risky funds. The program EU COSME 2014-2020 assists the development of the small and medium companies (SMC), improves business climate and widens an enterprise's structure. The budget of the program, which provides a practical realization of principles of the Small Business Act for Europe, is 2,3 billions of euro.

To summarize, it should be noted that a purpose of a formation of highly technological and innovational oriented enterprise network structures or clusters on the basis of the small enterprise is an increase of the competitiveness of a national economy and an assistance of Ukrainian's entering to economically developed world countries, and also a solution of main tasks of a social economic policy of regions.

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