
Management of Small Innovational Enterprise under the Conditions of Global Competition: Possibilities and Threats

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Abstract:

Purpose – The purpose of the article is to develop recommendations for overcoming threats and effective use of possibilities of development of small innovational enterprise in the process of its management under the conditions of global competition.

Design/methodology/approach – The authors use the method of systemic and problem analysis, opposite tack, method of SWOT-analysis, and method of economic modeling.

Findings – The authors determine the place and role of small innovational entrepreneurship in development of global markets and conduct SWOT-analysis of management of small innovational enterprise under the conditions of global competition. As a result of the research, the authors come to the conclusion that globalization of international markets is an objective process that takes place regardless of wish and realization of its importance and consequences by entrepreneurship. That's why small innovational business would be under the threat of disappearance without adequate reaction to change of global markets.

Originality/value – In order to restructure the process of management of small innovational enterprise for the conditions of global competition, this work offers proprietary recommendations for increase of effectiveness of management of small innovational enterprise under the conditions of global competition and develop the authors' model of increase of effectiveness of management of small innovational enterprise under the conditions of global competition.

Key Words: enterprise management, small innovational enterprise, global competition, international markets.

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Introduction

Any enterprise is a socio-economic system, provision of integrity and development of which requires effective management. Without coordination of efforts of various structural elements, such system won't be able to solve problems and will be rather a sum of elements but not a single whole.

Managing small enterprise is not more difficult than managing large business, as, despite smaller personnel and smaller volume of managed resources, it is necessary to perform all functions of management under the condition of lack of possibility for keeping a large managerial staff and necessity for combining managerial authority and responsibility.

Challenges of global competition complicate the process of management of small innovational enterprise, as they increase the number of forces influencing it. The main problem consists in the fact that if the process of management of small innovational enterprise is not restructures for the conditions of global competition, the business won't be preserved.

Preservation of small innovational business is sought not only by its owners but national and global socio-economic system on the whole, as such business is very important for preservation of high level of competition in sectorial markets and realization of the model of innovations-oriented economy.

Thus, actuality of study of possibilities and threats for management of small innovational enterprise under the conditions of global competition grows. The purpose of the article is to develop recommendations for overcoming threats and effective us of possibilities of development of small innovational enterprise in the process of its management under the conditions of global competition.

Place and role of small innovational entrepreneurship in development of global markets

It is possible to distinguish the following key characteristics of small innovational enterprise. Firstly, it possesses a small share of the market. Having no possibility to influence market processes in a large way, small innovational enterprise is oriented at constant adaptation to new economic conditions and new trends of demanda (Davidovna & Vladimirovna, 2015).

This feature makes small innovational business inclined for constant changes (Khokhlova & Okladnikova, 2014). As compared to large enterprises that risk reluctantly and are not inclined for implementation of innovations in its striving to preserve market positions, small innovational enterprises are oriented at expansion of its market influence and are ready to take the risk of innovational activities for achievement of this purpose (Doroshenko et al., 2015a).

Secondly, as a rule, it is oriented at specific segment of the market on at the market on the whole (Doroshenko et al., 2015b). This allows small innovational enterprise to study needs of clients in the targeted market segment and build business so as to correspond to them (Bezrukova et al., 2013).

While large business strives to preserve control over market on the whole and be universal, satisfying the needs of all groups of customers, which does not require regular implementation of innovations, small innovational business is constantly modernized in view of the smallest changes in the needs of market's targeted segment (Nadtochey, 2015).

Thirdly, it possesses flexible and innovations-oriented organizational structure (Kraus, 2014). Absence of complex bureaucratic machine makes the process of approval of innovational projects in small innovational business quick and easy (Measson & Campbell-Hunt, 2015).

These characteristics make small innovational entrepreneurship an initiator of changes in the global markets. Small innovational enterprises show the other market members on the changes in tendencies of demand and play a role of progress of technologies and products (Kravchenko et al., 2015).

While large market players strive to obtain maximal profit from previous investment projects which led to creation of successful innovations, small innovational enterprises look for new ways to surprise and attract attention of customers, as well as to satisfy their needs (Romer & Martínez-Román, 2012).

Small innovational entrepreneurship occupies an important position at the beginning of the process of innovational development of socio-economic systems. It provides a push to activation of innovational activities for its larger rivals, thus stimulating constant conduct of research and implementation of innovations into activities of modern business.

Due to small innovational business, constant transition to a higher level of technological development and modernization of socio-economic system are ensured. To show the place and role of small innovational entrepreneurship in development of global markets, let us use the scientific method "proof by contradiction".

As opposed to existing situation in the global economy, let us imagine that small innovational business is not represented in them. In this case, global markets would be monopolized, and most of them would be peculiar for market structure of oligopoly, as the number of players would reduce.

Therefore, existing of small innovational entrepreneurship is an important condition of competition of entrepreneurial structures in the global economy. It stimulated development of global markets through stimulation of struggle of entrepreneurial structures for the possibility of sale of their products, through implementation of new technologies and manufacture of innovational products.

SWOT-analysis of management of small innovational enterprise under the conditions of global competition

It is possible to distinguish several main problems of management of small innovational enterprise under the conditions of global competition, which are presented in all aspects of management. The first problem is related to high risk component of innovative activities.

Unlike a large enterprise, small innovational business cannot purchase and use expensive software for management of risks of its activities and keep a specialist in the sphere of risk management (Jurik & Bodine, 2014).

That's why evaluation of risk of innovational projects and selection of the optimal one is often performed intuitively, which may be a reason for wrong (not optimal) managerial decisions and exceeding the allowable risk level.

The second problem is caused by complexity of selection of optimal organizational structure. In order to raise the probability of success of innovative activities, it is expedient to realize several innovational projects simultaneously.

The most convenient organizational structure for this is the project structure which possesses a range of significant drawbacks, critical for small business. The main of them is non-optimality of resources use, caused by doubling the functions within various innovational projects. Also, it is possible to use matrix structure which supposes complexity of relations in the work group and double subjection (Skrypko, 2014).

The third problem is financial aspect of innovative activities. Realization of innovational projects requires investments, which small innovational enterprises do not have. Attraction of external investments is complicated due to high risk level and lack of possibility to place a guarantee due to limitation of assets of small business (Umierov, 2012).

The fourth problem is marketing, i.e., promotion of innovational products in the market. Conduct of full-scale marketing research for determination of potential future demand for innovations requires significant expenses of time, human, and financial resources which small innovational enterprises do not have. Possibilities of small innovational business in developing relations with suppliers and contractors

for manufacture and sales of products and in the sphere of brand management are very limited (Glover et al., 2016).

The fifth problem is personnel management. Stimulation of innovational activity requires training and additional training of personnel, which requires additional expenses which small innovational enterprise cannot bear. The results of SWOT-analysis of management of small innovational enterprise under the conditions of global competition are shown in Table 1.

Table 1. Results of SWOT-analysis of management of small innovational enterprise under the conditions of global competition

Competitive advantages of small innovational enterprises – high innovational activity; – clear customer base.	Disadvantages (drawbacks) of small innovational enterprises – low loyalty (mistrust) of clients; – lack of resources for development.
Possibilities for development of small innovational enterprises under the conditions of global competition – growth of customers' loyalty; – expansion of possibilities for attraction of resources.	Threats to development of small innovational enterprises under the conditions of global competition – more dynamic change of market environment; – higher level of competition.

As is seen from Table 1, generalized competitive advantages of small innovational enterprises are high innovational activity and clearness of customer base due to orientation at a certain market segment. Weak spots of small innovational entrepreneurship include low level of customer loyalty due to mistrust to small business and inclination to opposing innovations due to domination of traditional thinking and lack of resources for development, primarily – of financial and human.

Influence of global competition on functioning and development of small innovational enterprises is unambiguous. On the one hand, global competition opens to small innovational enterprises the access to a large specter of resources, expanding limits of potential investors and creditors, specialists and equipment, etc. It also increases customer loyalty to small innovational business due to increase of society's openness for innovations.

On the other hand, global competition stimulates serious change of economic conditions. It leads to strengthening of competition, which leads to small innovational enterprises opposing large international enterprises. Under these conditions, there's a threat of more dynamic change of market environment, which makes the result of implementation of innovations unpredictable and raises the risk component of small innovational business.

Recommendations for increase of effectiveness of management of small innovational enterprise under the conditions of global competition

This work offers authors' recommendations for solving the determined problems of management of small innovational enterprise under the conditions of global competition. They are presented in the form of the model of increase of effectiveness of management of small innovational enterprise under the conditions of global competition (Fig. 1).

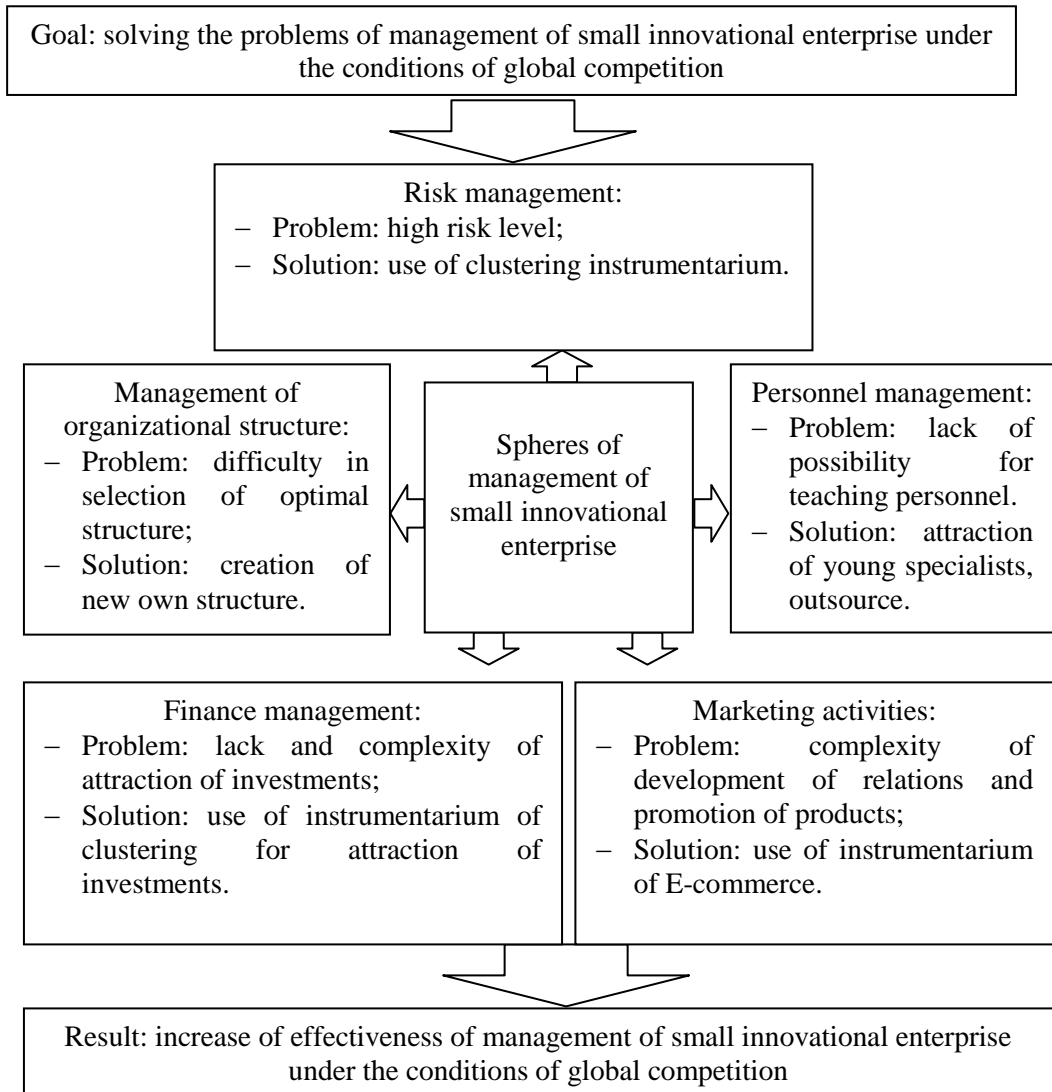


Figure 1. Model of increase of effectiveness of management of small innovational enterprise under the conditions of global competition

As is seen from Fig. 1, for the purpose of solving the problem of risk management and management of finances of small innovational enterprise, this work offers to use instrumentarium of clustering. Joining a transnational cluster will allow small innovational enterprises to unite their financial resources and distribute risks, solving both these problems.

The problem of management of organizational structure must be solved with the help of a new structure which is fit for this small innovational enterprise. New organizational structure could be created on the basis of matrix or project structure or combine the elements of both these structures.

The problem of personnel management could be solved with the help of attraction of young specialists with flexible innovational thinking and recent education which do not yet have a need for additional training. Also, it is recommended to use outsource tools for solving this problem. Thus, small innovational business will receive access to leading ideas with minimal expenses.

As a recommendation for solving the problem of marketing of small innovational enterprise, this model offers to use the tools of E-commerce. This will allow free posting of ads at the enterprise's web-page and developing close cooperation with clients and contractors from different countries. As a result of realization of the developed model, increase of effectiveness of management of small innovational enterprise under the conditions of global competition is expected.

Summary and conclusion

Thus, in order to restructure the process of management of small innovational enterprise for the conditions of global competition, this work offers such recommendations as the use of clustering tools, creation of own optimal organizational structure, attraction of young specialists and outsource, and use of E-commerce tools.

It should be noted that globalization of international markets is an objective process which takes place regardless of the wish and realization of its importance and consequences of entrepreneurship. That's why without adequate reaction to change of global markets, small innovational business will be under the threat of disappearance.

A certain limitation of this work is narrowness of the chosen object for research – small innovational entrepreneurship. In the globalizing world, it is necessary to modernize management by all types of small enterprises. That's why during conduct of further research it is expedient to expand the limits of the selected object and view perspectives of increase of effectiveness of management of entrepreneurship on the whole under the conditions of globalization of international markets.

As for the concept of small innovational entrepreneurship, the authors of this work consider that perspectives of its development are related to elaboration of new approaches and methods of management.

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