

UDC 338.246.2

THEORETICAL MOTIVATION FOR FURTHER INVESTIGATIONS OF SMALL AND MEDIUM ENTERPRISES IN UKRAINE

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Поповенко Н.С., Придиус А.В. Теоретичне обґрунтування подальшого дослідження малих та середніх підприємств в Україні.

Теорії, які були побудовані для пояснення зростання великих компаній не пристосовані для пояснення подібного явища для малих та середніх компаній, але зростання має важливе значення для виживання малого та середнього бізнесу. Ця теоретична стаття спрямована на виявлення розуміння феномену зростання малих та середніх підприємств, представлених в літературі та попередніх дослідженнях і перспективи подальших досліджень.

Ключові слова: малі та середні підприємства (МСП), малий та середній бізнес (МСБ), поняття «підприємництво», реформи для розвитку підприємництва, роль та значимість малого та середнього бізнесу

Поповенко Н.С., Придиус А.В. Теоретическое обоснование дальнейшего изучения малых и средних предприятий в Украине.

Теории, которые были построены для объяснения роста крупных компаний не приспособлены для объяснения этого явления для малых и средних компаний, но рост имеет важное значение для выживания малого и среднего бизнеса. Эта теоретическая статья направлена на выявление понимания феномена роста малых и средних компаний, представленных в литературе и предыдущих исследованиях и перспективы дальнейших исследований.

Ключевые слова: малые и средние предприятия (МСП), малый и средний бизнес (МСБ), понятие «предпринимательство», реформы для развития предпринимательства, роль и значимость малого и среднего бизнеса.

Popovenko N.S., Prydius A.V. Theoretical motivation for further investigations of small and medium enterprises in Ukraine.

Theories, developed to explain the growth of large companies, are not adapted to explain the phenomenon in small and medium companies, but growth is important for the survival of small businesses. This theoretical article aimed to identify the understandings of the phenomenon of the growth of small and medium companies presented in the literature and previous researches and the perspectives of future studies.

Keywords: small and medium enterprises (SMEs), small and medium businesses (SMEs), the term "business" reforms of business development, the role and importance of small and medium enterprises

Analytical review of literature sources in Economics leads us to conclusion that the importance of small and medium enterprising, as a special sector of national economy, in the national economy, causes to economic competition and weakening of monopoly of separate enterprises, structural rebuilding of economy, saturation of market by goods and services, an increase of goods competition, technological renovation of production, an increase of employment, as well as helps to resolve the problem of entrepreneurs, which are the basis of modern society. The studies of small and medium enterprisers have been published for a long time but a lot of aspects of this topic are not enough investigated and remain debatable.

Ukrainian researches pay much attention to the study of the dynamics of entrepreneurship activity. Among scientists who carried out a detailed analysis of activity indicators of entrepreneurial activity, there are scientists such as A. Demeshok [1] H. Androschuk, I. Zhylyayev, and M. Shevchenko Chizhevsky [2], I. Mazur [3], V. Marhasova [4], and N. Timoshenko [5] E. Slow [6], V. Geyets [7] and many others. However, these and other scientists focused on the following aspects of business development, as innovation and investment prospects, and analyzed the dynamics of economic development entities in particular industry or region.

Some researchers are engaged with analyzing only the theoretical aspects of growth of business activity in Ukraine. These include such scientists as B. Derhalyuk [8] A. Zhyhir [9] H. Kolodko [10] and many others. However, this group of scientists focuses exclusively on theoretical and methodological principles and the principles of entrepreneurship activity without making a detailed analysis of its dynamics.

Many of them were engaged with analyzing of business development by research in particular industry, as many works were dedicated to the development of entrepreneurship in agriculture, venture business, insurance and banking sectors, as well as in housing. These include scientists such as M. Polyak [11] G. Mihalchenko [12] S. Cramon Taubadel, S. Demyanenko and A. Kuhn [13].

However, these and other scientists have conducted a comprehensive analysis of business development in Ukraine and its dynamics is not predicted in the future. There are no efficient organizational and economical tools of SME's interest in economic development in Ukraine. The structural and economical foundations for efficient development of small and medium enterprising are not complete and need a further investigation, which supports the main object of our research.

Unsolved aspects of the problem

As most of economic studies show, the further development of small and medium enterprises is related to resolving of set of issues, such as development of methods of efficient transfer of developer's knowledge to the enterprise, an expansion of competence of small and medium enterprises, creation and development of informative management at SMEs, etc.

Relevance of the research of SMEs development is increased by slow improvement of market economy reforming in Ukraine due to underestimation of SME's role and importance as a structural element of economy, the most adaptive and flexible form of business in the current situation in the country. It is well known that most of developed countries fully compensate their local budgets thanks to small and medium enterprises. There is an opposite situation in Ukraine, while some part of units from this sector moved to shadow economy. That is why the share of SMEs' GDP is around 10% while this share is more than 50% abroad.

Development of small and medium enterprises is possible only in the case if the governmental foundations of SME's development are created taking into account the current situation. It is also important to improve the marketing research for SMEs, to provide an informational security and work force capabilities, to use the modern approaches to cooperation between SMEs and large business on the basis of outsourcing in order to improve the competition abilities of each of the partners and strengthening of small and medium enterprises. From this prospective, analyzes of economic and structural conditions for entrepreneurship and development of measures for their improvement, creation of scientific foundations of functioning in the determined direction of a country are necessary conditions for the development of recreation process. This determines the relevance of the article, its scientific and practical significance.

The main part

There are processes of economic revitalization in the field of entrepreneurship that are taking place in the development of the world as well as national and regional economy nowadays. Currently, the business gets a new innovation character that defines its role in the economic growth of the country, social security and the welfare of society. That's why, business scope, business activity in the deepening market relations requires attention of theorists and

practitioners who can bring innovation approaches to understanding the essence of the studied category.

On the basis of various sources an evolution of interpretation of the term "business" can be traced. In XVIII century, English Economist Robert Kantilyon used the term "entrepreneur" in the sense of a man with uncertain fixed incomes. With the development of capitalism business activities of robbery, services, trade and exchange spread on the organization of production. The first organizers of their own businesses were great owners. Entrepreneur was described as a great man with money, host employer, the owner, which takes a risk for enrichment [14].

Adam Smith, describing the role of the entrepreneur, said that "he has in mind only its own interest, pursuing their advantage, and it's an invisible hand that directed him to the target, which was not in his intentions. In pursuit of its own interests, he often in a compulsory way serves the interests of society than when deliberately trying serve them. In study "The Study of Nature and Causes of the Wealth of Nations" [15] A. Smith treated the entrepreneur as the owner of capital for implementation of a business idea and profit at risk. Entrepreneur plans to organize production, realizing rewards the division of labor, manages the results of production activities. Him behavior is regulated by the central mechanism of the market system – competition.

French economist Zh.B. Sey described the entrepreneur as a person, which "organizes other people within the production unit" [16]. "Treatise of Political Economy" (1803) Zh.B. Sey said: "A significant impact on the distribution of wealth makes the ability of industrial entrepreneurs. Within the same industry entrepreneur is intelligent, energetic man with knowledge and order – acquires wealth, while another one is not endowed with the same qualities or the one that came on unfavorable conditions and is ruined. Entrepreneurs are only intermediaries seeking necessary productive services for the manufacture of the product as the demand for it". Researcher treated the business as a combination of factors production (land, labor and capital) and emphasized that Entrepreneurs play an active role in the economy and stressed organizational functions that operate on their own discretion and risk with a goal to benefit, while possessing the knowledge and experience of combining factors of production.

Describing business, Tugan-Baranowski, Ukrainian teacher, writer, economist and public person, determined entrepreneurship as a handicraft industry, as a small-scale peasant, commodity, non-agricultural production for market needs and at the same time as your home system of big production [17]. He stressed the importance of cooperation in business when developing credit, loan, savings, consumer-builders purchasing association, sales of recycling agricultural products, farm labor and production [18].

Leading scientists of the Institute for Regional Studies of NAS of Ukraine point out [19]:

- the first researchers in business have concentrated on definition of the main features of the entrepreneur;
- only in the mid-nineteenth century, American economist F. Uoker attempted to described entrepreneurs as a social stratum in society, recognizing entrepreneurs function only of highly qualified management and supervision of workers of enterprises;
- complete system of views on entrepreneurship development as a special industrial and economic activity and its impact on society was possible to articulate by representatives of the famous Austrian School of Economics of late nineteenth century. The essence of their views is to recognize business of both objective and important socio-economic phenomenon in life of a society that is able to respond flexibly to market changes, filling its niche and identifying "bottlenecks" in existing technologies of production, range of goods and services in the structure of their prices in different geographical segments [20];
- the success of entrepreneurship was treated by features of entrepreneur's abilities. In particular, such as courage and readiness to justified risk; the ability to evaluate and use temporary market advantage situation; ability to provide progressive innovations and implement them;
- consequently, entrepreneurship and entrepreneur as its key figure are closely associated at all stages of research of entrepreneurship. While this complication of market relations, technology and intensification the use of science and technology focus in research of entrepreneurship is shifting from the sphere of trade and handicrafts mediation services to the field of intellectual activity. In the famous study of American labor economist Schumpeter [21] the following features of business were observed:
 - a) business activity is a universal characteristic of any modern system;
 - b) enterprise reforms a social production through the use of new ideas, inventions or finding new sources of raw materials and energy markets marketing and sales;
- F.A. Von Hayek defines two main factors in business: organizational and economic novelty in public economic production and entrepreneurial freedom, which gives a person the opportunity to manage efficiently their achievements, knowledge, information and income [22]. Businessman seeks to optimally use these on the market components, especially considering the market situation (regarding prospects investment, supply and demand in some industries, prices, etc.) find the best means to meet their own and social needs;
- American Economists R. Campbell, McConnell and Stanley L. Brue believe that entrepreneurial capability (entrepreneurship) is the fourth (after land, capital and labor) type of economic resources. They define this resource as the human capacity for rational combination of resources to

production, making coherent decisions to achieve coherent objectives, new technologies of labor and other innovations.

There new approaches appeared to define "business". US scientists E.J. Dolan, D.E. Lindsay stress that definition of Entrepreneurship as a fourth factor of production at the level of labor, capital and natural resources that are not entirely justified, as more convenient and reasonably consider finding the best business process a combination of three main factors of production. Scientists, into the concept "Entrepreneurship", put the process of finding new opportunities and new production methods, a departure from the old principles and restrictions commitment to promising new results increase the level of economic of the invention and introduction of something new [23].

Ukraine, as a former Soviet republic did not officially recognized and used the term "Enterprise". However, it has certain old traditions and specific features and characteristics that must be considered in the present stage of entrepreneurship. At the time of Yaroslav the Wise a document of regulating entrepreneurial activity was adopted – legal Code "Ruska Pravda", in which a special role was given to a private property man. The abolition of serfdom gave a significant boost to the future development of entrepreneurship. Homemaking has significantly developed agricultural trade, which has grown from the initial domestic production for their own use and later grew into commodity production. The work is called for the consumer: weaving, tailoring, wood fishing.

The current period of business is closely related to the development and lease contracts, individual employment, cooperatives to 80th of last century. The first law that allowed private ownership was the law of the USSR "On Property". The process of legalization of business Activities initiated in USSR was law "On General Principles of entrepreneurship."

In Ukraine, the term "entrepreneurship" was officially recognized since February 7, 1991 by the Law of Ukraine "On Entrepreneurship". As mentioned, business is recognized as an independent initiative with the systematic own risk activity for the production of products, works, employment services and trade for profit.

Basically, entrepreneurship is a part of a market economy and has a direct impact on the development of the productive forces while productive forces through process of control system and labor have a direct impact on business development. While, businesses as an economic category is a particular type of management where the main subject of management is the entrepreneur who combines rational factors production, innovative basis and at their own risk organizes and manages production for business income.

In the explanatory dictionary by Dahl, entrepreneurship is characterized as business and entrepreneur – as seller, capable of big business scale trade, which are inherent to the individual courage,

determination, ability of such businesses. The incentive of entrepreneur-seller is good, that desire to purchase, profit, wealth, accumulation, regardless means of gain [24].

As indicated in the Economic Encyclopedia "Entrepreneurship is an independent organizational and commercial innovation on the basis of various possibilities to issue new or old products with new methods opening up new sources of raw materials, markets, etc. to obtain profit and self-own goal" [25]. Pretty good definition of "business" was formulated by American professors Er. Hizrigh and M. Peters: "Entrepreneurship is a process of creating something new that has a value; the process of absorbing the time and effort that involves the assumption of financial, moral and social responsibility; a process that brings income (profit) and personal satisfaction achieved" [26].

Based on logical analysis of the components of business, scientists form a general understanding of business as follows:

- the first and most important is to define the methodological approach to entrepreneurship as an important multifaceted functions in public life. In terms of economic theory, business is based on the consistency changes as condition for changes, sharing these views of J.A. Schumpeter, a representative of the Austrian school. In neoclassical economics, the idea of market equilibrium is supported and as a result, there is no space for entrepreneurs. Consideration of socio-economic phenomena is not static, but dynamic what makes it possible to identify entrepreneur active role in the economy, which is due to constant search and introduction of various innovations that creates an imbalance in the market providing the dynamic process of development;
- since the function is implemented during the activities, Entrepreneurship is the activity in which it manifests objectivity and materiality. Moreover, a special kind of activity that provides execution to the role of entrepreneur as fourth factor of production. This work on search and creating new opportunities, the creative destruction of stereotypes and differentiate it from the usual business principles and specific methods;
- reviewing as a part of a special type of business causes its determining as an economic category. In the process of individuals entering into relationships with each other, so as business activity is a theoretical form of industrial relations, and hence economic category, reflecting the combination of economic, historical, social and legal relations;
- entrepreneurship as a special kind of activity requires adequate environment, ensuring the role of enterprise function in society. As business is an important part of the business environment as complex socio-economic conditions;
- entrepreneurial activity has characteristics, especially due to the fact that entrepreneur is a

special type of person. We believe that entrepreneurs as individuals differ in some way, the type of thinking and behavior and are determined not only and not so much by economic theory, and other sciences, including social psychology.

In modern society a bilateral approach can be traced by economists, scientists approach to the essence of entrepreneurship. On the one hand, Entrepreneurship is treated as a special kind of economic activity, which is based on specific conditions, principles and requirements. In addition, entrepreneurship is recognized not only as a special kind of activity, and in some style behavior, thinking and opinions, which consists of initiative, creativity, not traditional, risk-taking, show business talent.

Analysis of scientific researches of local authors which determine the nature of entrepreneurship and business activity that show that the current economic theory does not give a clear interpretation of the essence of entrepreneurship. As business activity in Ukraine is almost at the stage of formation and the first signs of development, and adopted as a promising form farming, the process of its formation is influenced by social economic factors, depending on the needs of society.

Implementation of the basic functions of Entrepreneurship is closely linked to the personality of the entrepreneur as capable of economic rights, with progressive thinking, ready for self-realization and risk. Thus, Hayek primarily linked business to personal freedom that allows people to use their rational abilities, knowledge, information and income. Businessman trying his best first aligning these components with the situation in the market (promising or unpromising on investment, supply and demand in certain sectors of the economy, the price level, etc.) to find the best means to meet their own needs and requirements of society. Paul Samuelson called businessman a man with original courageous thinking, seeking successful implementation of new ideas. In general, modern business, according to P. Drucker, shaping not every form of business, and various innovation as the implementation of new nominations on production factors creating new products and services and new technologies, the use of this purpose for new resources and forms of financing sources, development organizational and managerial innovations, as well as penetration into new markets in new industries and economic sectors and others [14].

The statement of P. Drucker goes inline with scientific approach of Schumpeter and reduces the need to develop a new approach to the process of entrepreneurship, which will be based on innovative basis taking into account the creative abilities of the entrepreneur and the ability to manage business activities for the successful implementation of its goal. Business characters of an entrepreneur are grouped by indicators including natural (physiological) capabilities; social and psychological qualities; indicator of professionalism; organizational

and management capabilities, competencies stipulated multifaceted entrepreneur, that in the course of business activity contributes to the main goal.

The experience of the UK proves an important criterion of social companies that have collective ownership and activities for local community. This social enterprise entity serves to business enterprises with a social mission. Thus, A. Skipalsky notes that for the majority of Ukrainian organizations of social entrepreneurship – it is the business of non-profit organizations, the income from which is used for the implementation of the mission [28]. Thus, social entrepreneurs contribute to the formation of social capital. Thus their activities performed primarily in activities such as education, environment, create an enabling environment for poverty reduction, human rights field, including human rights.

Thus, the ongoing economic reforms in Ukraine is the main key to the establishment and development of business, which is an independent and unchanging part of the market economy, which significantly affect the structural restructuring of the economy, making a contribution to the increase in total production, retail sales and saves resource management, providing incentives for innovation processes and highly labor. Entrepreneurship is an integral part of any market economic system, without which the economy is not able to exist.

Experience of foreign countries shows that SME's play an important role in the economy, their development impact on accelerating scientific and technological progress, market saturation goods required quality, create additional jobs that solves many urgent economic, social and other problems. In all developed countries the state supports small and medium businesses. Population has more deals with business. In this regard, the interest in studying of the problems of small and medium enterprises, trends, changes in management structures and features of this sector. Regional problems of businesses, particularly small features government regulation, economic transformations at the regional level devoted to the works of scientists O. Balabenko [29], M. Butko [30], S. Varnaliya [30, 31], T. Berezyanko [32], T. Hovorushko [33], Y. Hubeni [34], A. Danilenko [35], M. Nether, Kozoriz M., V. Miklovdy, A. Dovhalova, T. Smovzhenko [36], P. Azure [37], A. Stasiuk [37], N. Shadura-Nykyropets [38] and others.

There are certain principles formed in a society regarding the establishment and development of small and medium businesses, because this type of management for years of Ukraine's independence was a complex organizational path of formation, establishment and development institute for certain business trends. The areas of small and medium business were identified as well as priorities and their subsequent functioning development, formed public opinion on their activities.

A significant impact of small and medium business on the process of effective reforming of the national economy was underlined by I. Lukin, who was believing that this process is caused by the

formation of appropriate economic and legal conditions to ensure the success of small and medium business, but not for artificial grinding existing large industrial and agricultural productions, because it can affect the development of big business and suspend implementation of development science and technology [39].

The important role of business in a market economy was noted by R. Coase, who was describing it as a regulatory mechanism for institutions market [40]. Small and medium business play an important role in economic development and its regions and has a unique opportunity to improve the welfare and providing a viable environment for most of the population of Ukraine's regions.

Nowadays, while the difficult conditions of the domestic and world economy, small and medium business are one of its driving forces. As certifies world experience, it contributes to the middle class, reduce unemployment and competition. Therefore, structural changes of economic complex of the country, ensuring the implementation of reforms in economy and solving social problems is now unthinkable without the development of small and medium businesses. Scientists define small and medium business as a special type of economic behavior, the subjects of which combine two major aggregating quality features – combining in one person the owner and manager of a firm and increased levels of economic risk at all stages of entrepreneurship [14].

Business development in many countries is determined by the specific socio-economic, political, cultural and other conditions. It can be applied, of course, the modern Ukraine, transformation processes in which have their own characteristics. They are determined on the one hand, heritage mainly colonial past totalitarian content, on the other – creating market environment through economic reforms. Without consideration of these points cannot understand the entrepreneurial process in Ukraine, as well as features of macroeconomic dynamics in general [42].

Conclusions

After analyzing the previous studies, we can make the following conclusions. Small and medium enterprises play an important role in incipience and development of economy of Ukraine. Especially now, when Ukraine is effected by conflict in Eastern Ukraine. SME's are the once that do not need huge initial investing and guarantee fast of resources circulation, are able to resolve the problems of economy restructuring, formation and satisfaction of market by goods in conditions of current destabilization of economy and restricted financial sources. This sector has a high social significance due to its mass. Its representatives serve to majority of consumers, producing set of goods and services according to fast changing requirements of a market. Small and medium businesses help to form the middle class in our country, resolve an employment issue and

wealth of the nation. While, the middle class is a main indicator of political opinion of the nation, its satisfaction by political and economic stability in the country. That is why the use of small and medium businesses as an instrument for economic recovery of

Ukraine from long term economic crises, is expedient and necessary. Respectively, neglecting by this sector might lead to even worsening of the current situation and prolongation of the crises.

Abstract

Theories, developed to explain the growth of large companies, are not adapted to explain the phenomenon in small and medium companies, but growth is important for the survival of small businesses. This theoretical article aimed to identify the understandings of the phenomenon of the growth of small and medium companies presented in the literature and previous researches and the perspectives of future studies.

After analyzing the previous studies, we can make the following conclusions. Small and medium enterprises play an important role in incipience and development of economy of Ukraine. Especially now, when Ukraine is effected by conflict in Eastern Ukraine. SME's are the once that do not need huge initial investing and guarantee fast of resources circulation, are able to resolve the problems of economy restructuring, formation and satisfaction of market by goods in conditions of current destabilization of economy and restricted financial sources.

JEL Classification: D 04, E 02.

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Надано до редакційної колегії 07.03.2017

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Посилання на статтю / Reference a Journal Article:

Theoretical motivation for further investigations of small and medium enterprises in Ukraine [Електронний ресурс] / N. S. Popovenko, A. V. Prydius // Економіка: реалії часу. Науковий журнал. – 2017. – № 1 (29). – С. 98-106. – Режим доступу до журн.: <http://economics.opu.ua/files/archive/2017/No1/98.pdf>