

On the Prospects of Applying Strategic Planning for Effective Development of Small and Medium-Sized Entrepreneurship Sector



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Abstract. The research topic we have chosen is relevant due to the following factors: a key role of Russian small and medium enterprises in national economic development in a difficult geopolitical situation, specifics of enterprises in this segment, as well as the duality of scientific views on the expediency of strategic planning for this type of business. The aim of the work is to clarify the importance, features of construction and application, as well as the expediency of strategies that are effective tools for the development of the sector in question. Scientific novelty of the research lies in considering strategic planning issues of small and medium enterprises through the prism of how strategies in these companies are designed and applied. We look into theoretical foundations of the influence of strategic planning and strategies on the following aspects of the work of small and medium enterprises: competitiveness, assessment of business achievements, financial performance, productivity, viability, etc.; we review domestic and foreign scientists' ideas on this issue. Taking into account the fact that the functioning of small and medium enterprises has its own specifics, we identify certain features inherent in small and medium business strategies, namely: integrated approach, multitasking, adaptability, interactivity, inclusivity. We put forward a comparative classification of fundamental features of small (and medium) and large companies' strategies. Based on the specific analysis of Russian and foreign literature carried out within the framework of the work, we identify reasons impeding the implementation of strategies in small and medium businesses, and estimate the expediency of using strategies in such enterprises. We formulate conclusions about the current state and sentiment in the business environment, drawing upon

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the results of a survey of representatives of the sector under consideration. In the course of the work we use general scientific methods; the results of theoretical and empirical analysis are interpreted with the help of general logic methods, formalization, abstraction. Methodologically, the study is based on a systems approach and classical and modern theories of strategic planning.

Key words: strategy, small and medium enterprises, business, entrepreneurship, strategic planning, development, SMEs.

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Introduction

The development of the small and medium enterprises sector as a locomotive for intensification and modernization of the Russian economy is a strategic direction defined in state documents of federal significance (Strategy for Development of Small and Medium Enterprises in the Russian Federation for the period up to 2030; national project “Small and medium entrepreneurship and support for individual entrepreneurial initiative”, etc.)¹. However, the share of small and medium enterprises (SMEs) in Russia’s GDP over the past decades has been no more than 20%, which is 2–3 times lower than in such actively developing countries as China, the USA, Italy, France, where small business is the foundation of national economy. The share of SMEs in the total number of the employed hardly exceeds 25–30% according to various estimates, while in developed countries this figure ranges from 60–90% (Italy – 79%, China – 75%, Brazil – 54%, Hungary – 68%). It is important to note that, according to recent statements by representatives of government authorities, further expansion of

the SME sector is no longer a business support priority for the government². Labor productivity of Russian small firms, according to the Ministry of Economic Development of the Russian Federation, lags behind the level of developed countries by 2–3 times (in the European Union – 2.2 million rubles, in the USA – 3.4 million rubles, in Russia – 0.9 million rubles per person³).

In the current environment of high uncertainty and instability, strategic planning can become especially important for Russian SMEs. But this research area has not been sufficiently elaborated on from a theoretical point of view and has not received full-fledged practical application: strategies are more often absent than present in the business practices of economic agents (Guskova et al., 2021), since small and medium enterprises have certain limitations in the use of classical and generally accepted approaches to strategic planning. In addition, consideration of strategies for small and medium businesses, as a rule, involves listing practical recommendations, but does not take into account theoretical aspect and specifics of designing strategies for various businesses, and strategic planning for SMEs.

¹ Passport of the national project “Small and medium-sized entrepreneurship and support for individual entrepreneurial initiative”, approved by the Presidium of the Federation Council for Strategic Development and National Projects on December 24, 2018; Strategy for Development of Small and Medium Enterprises in the Russian Federation for the period up to 2030, approved by RF Government Resolution 1083-r, dated June 2, 2016.

² The number of entrepreneurs is growing. Available at: <https://www.kommersant.ru/doc/6666295> (accessed: August 11, 2024).

³ Strategy for Development of Small and Medium Enterprises in the Russian Federation until 2030, approved by RF Government Resolution 1083-r, dated June 2, 2016.

In the context of economic and political risks, as well as the constantly changing rules of the “game” in domestic and foreign markets, one tends to believe that the presence of a strategy is becoming less relevant, as business loses its competitive advantages (Katkalo, 2003; McGrath, 2013), and long-term planning is very difficult to implement due to high turbulence of the external environment (Baylis et al., 2022; Kobylko, 2023a). Another view is based on the fact that in conditions of uncertainty, the importance of a strategy can increase many times, since due to the frequent change of economic agents and arrival of new companies that adjust the balance of power in the market, the role of strategic planning becomes almost decisive for successful business development (Lyles et al., 1993; Stonehouse, Pemberton, 2002; Analoui, Karami, 2003; Reeves et al., 2016; Kozhanova, Merzlikina, 2022). This duality of views produces scientific controversy and numerous research works on this topic.

Traditional and modern theoretical and practical approaches to strategy development and strategic management, as a rule, are focused on large corporations and ecosystems (Kleiner, Kobylko, 2022), which have an extensive organizational structure, various areas of activity, as well as significant financial, human and administrative resource. These approaches are not suitable for other forms of business organization, such as small and medium enterprises.

The importance of Russia’s SME sector in the economic development of the country, specifics of enterprises in the small and medium businesses segment, as well as the duality of views on the need for strategies – all this substantiates the relevance of the chosen research topic and the aim of the work, which consists in determining the significance, features of designing and applying strategies in the segment of small and medium enterprises as a tool for growth/development of SME sector and the economy in general.

Scientific novelty of the work lies in the fact that the problems of strategic planning in small and medium enterprises are considered through the prism of the specifics of designing and applying strategies in these companies.

Overview of literature and research works

Strategies and strategic planning are among the most popular areas of economic research. The most well-known strategic planning concepts were developed about 70 years ago in accordance with the environment and the problems faced by the economies of Western countries, the United States, and the United Kingdom (System-Oriented..., 2023). Over the past years, numerous changes occurred; they have affected economy, technology, societal structure, people’s way of thinking and their way of life. Thus, at present, a rethinking of the concepts of strategy and strategic planning is required both in the field of large business and in the sector of small and medium enterprises (Tambovtsev, 2010; System-Oriented..., 2023). However, while there are many publications on strategic management in large companies, there are significantly fewer studies that consider the development and implementation of strategies in small and medium enterprises. It is also important to note that the area of intersection of the two topics – strategies and Russian small business – lies, as a rule, in the field of studying problems related to state support and implementation of current strategies for development of SME sector, i.e., we are talking about the macroeconomic level⁴ (Bukhvald, 2016; Kulagova, Belukhin, 2018; Shkolnik, 2018; Bukhvald, Valentik, 2020, etc.), while theoretical foundations of studying the impact of strategy on the activities of small and medium enterprises are rarely the object of scientific research.

⁴ On approving the Strategy for Development of Small and Medium Enterprises in the Russian Federation until 2030: RF Government Resolution 1083-r, dated June 2, 2016. Available at: <http://government.ru/docs/23354/> (accessed: May 1, 2024).

The 1950s and 1960 witnessed the emergence of research works on the processes of implementing strategic planning in SME segment. In the late 1980s and early 2000s this issue began to be raised more actively in the literature in foreign scientific and business circles; this was due to the increased importance of small and medium businesses in ensuring employment and welfare, increased competition and development of information and technological innovations. The development of strategy and strategic management issues has been most active mainly in those countries where SME sector has been operating successfully for a long time, occupying a significant share in the economy (advanced countries of Europe, the USA, etc.).

What is the impact of strategy on small and medium businesses? The answers to this question are contradictory. Arguments are presented both for and against the positive impact of strategies on the development of small and medium companies. At the same time we should note that the majority of works are foreign, and this topic is not so extensively represented in Russian scientific and business-oriented literature.

One of the opinions is based on the fact that the introduction of strategic planning has a positive effect on the work of SMEs: it promotes new ideas, expands capabilities of an enterprise, reduces the level of uncertainty due to a clearer understanding of the business environment (Lyles et al., 1993; Wood, Barnett, 2012; Joel, 2016), forms competitive advantages of the company on the market (Analoui, Karami, 2003; Kraus, Kauranen, 2009; Zaretskaya, Chernikova, 2022; Cherepanova, Makhinova, 2022). The work (Robinson, Pearse, 1984) emphasizes that the type of planning chosen by a small firm is determined by the current stage of its life cycle. As a small business develops and progresses through the stages of its life cycle, the strategy is transformed, becoming more complex and more extended in time (Adizes, 2004; Porter, 2005; Zavyalova, Kobylko,

2019; Astapov, Zhdanov, 2022). In this case the key point in strategic management in a small enterprise is not a change in strategy, but its adaptation, i.e. revision and appropriate adjustment of the company's behavior in accordance with the impact of the external environment (Guskova, Nikitina, 2020). We can also talk about the influence of macro environment, which includes people's mental and cultural features, the country's institutional system and historical experience, etc. (Kleiner, 2008).

The impact of strategic planning on the activities of a small enterprise can be studied by assessing organizational achievements. Thus, successful implementation of a strategy, being a criterion for the effectiveness of business functioning, either allows the company to maintain the scale and opportunities for development, or promotes further growth of the enterprise (Kraus et al., 2008; Lyles et al., 1993; Stewart 2003; Joel, 2016; Kozhanova, Merzlikina, 2022). In this case, the choice of a path in which a small enterprise will operate depends on the management style, personal and professional qualities of the business owner (Kuznetsova, 2021).

The works (Robinson, Pearse, 1984; Schwenk, Shrader, 1993) were pioneers in studying the positive impact of strategic planning on financial success and profitability of SMEs. Later, (Wheelen, Hunger, 1998) proved that small companies with a strategy achieve higher financial results than those without it. Thus, the costs that SMEs spend on designing and implementing a strategy are offset by the achievement of strategic plans and the revenue generated. A study of small and medium enterprises in various industries conducted in (Dibrell et al., 2014) revealed a positive relationship between strategic planning processes and organizational flexibility of the firm. Even in an unfavorable external environment, small and medium companies that use various strategies are able to achieve financial performance growth (Bamiatzi, Kirchmaier, 2014).

Viability of small and medium firms is another indicator influenced by strategic planning; thus, enterprises that use strategies have higher viability compared to those that do not use them (Delmar, Shane, 2003; Kraus et al., 2008).

An opposite opinion on the impact of strategy on small business activities is based on the statement that “real entrepreneurs do not plan” (Posner, 1985). This idea can be traced in the later works (Robinson et al., 1986; Gable, Topol, 1987; Shrader et al., 1989, etc.). They believe that small and medium firms do not resort to strategies, and there is little or no connection between strategic planning and the activities of a small firm. In addition, designing formalized strategies in their classical sense is not suitable for enterprises in SME sector, since they are limited in financial, labor and managerial resources to achieve this goal. The value of strategy and strategic planning is offset by factors such as managers’ competence, company’s development stage, uncertainty and variability of the external environment in which the enterprise operates.

The results of empirical studies of the impact of strategic planning on the performance of SMEs seem to be rather contradictory and not quite sufficient. A positive relationship is noted in the works (Bracker et al., 1988; Lyles et al., 1993; Schwenk, Shrader, 1993), zero or even negative – in (Gibson, Cassar, 2002).

The work (Shrader et al., 1989) clarifies that the nature of relationship between strategic planning and the success of small businesses depends on the type of industry the enterprise belongs to, while in other studies this relationship has not been found (for example, Gable, Topol, 1987; Kelly et al., 2004).

Between the above polar opinions, there is a point of view presented in (Mintzberg, 1993; Bhide, 2000; Kraus et al., 2008): strategies and strategic planning should be present in the activities of a small enterprise, but they should be “spontaneous” and flexible, rather than deliberate and formalized.

According to the author, the process of integrating entrepreneurial (practical) and strategic (theoretical and methodological) thinking seems to be a compromise, since both visions are aimed at creating and preserving competitive advantages acquired by a small enterprise in the market (McGrath, 2013; Meyer, Heppard, 2000). We are talking about the concept of strategic entrepreneurship, which appeared relatively recently and which consists in “integrating entrepreneurial (behavior aimed at finding opportunities) and strategic (behavior aimed at finding advantage) perspectives in the development and implementation of actions aimed at creating wealth” (Hitt et al., 2001; Schindehutte, Morris, 2009). It implies that those responsible for developing strategies should use entrepreneurial thinking, which allows them to evaluate and mobilize the company’s available resources and connect inter-firm and interpersonal connections in conditions of uncertainty. The degree of closeness of the relationship between the concepts of strategic and entrepreneurial thinking is determined in the work (Venkataraman, Sarasvathy, 2008), in which the authors provide a metaphorical comparison with an excerpt from William Shakespeare’s “Romeo and Juliet”: they liken entrepreneurship research without a strategic perspective to Romeo without a balcony and vice versa.

Description and substantiation of the research methodology

The study was conducted using general scientific methods that allowed us to reveal the role of strategy as a tool for the viability of small and medium businesses in an uncertain environment. The results of theoretical and empirical analysis were interpreted using general logical methods, formalization, and abstraction. Methodologically, the study was based on a systems approach, as well as classical and modern theories of strategic planning.

An empirical analysis conducted on the basis of open access materials and research by foreign and Russian scientists made it possible to identify major differences between strategies of large companies and those of small and medium enterprises, and to determine specific features of strategies used by this segment of entrepreneurship.

In the course of the work we used legislative acts and regulatory documents related to the topic under consideration, including the Strategy for Development of Small and Medium Enterprises in the Russian Federation for the period up to 2030, Federal Law 209-FZ “On the development of small and medium enterprises in the Russian Federation”, dated July 24, 2007 (amended December 12, 2023), where the main object is enterprises from SME sector. The study is also based on the materials of NAFI analytical center and the responses received by CEMI RAS during a survey of entrepreneurs. Practical research methods, including comparative and statistical analysis, allowed us to formulate several conclusions concerning the current state and sentiment in the business environment.

Research results

Basic characteristics of strategies of small and medium enterprises

Specifics of SMEs regarding their organization, functioning and interaction with other economic agents have conditioned certain features inherent in the strategies of small and medium businesses.

1. Complexity. A small enterprise performs many different functions. Applying a systems approach when designing a strategy for SME suggests that the strategy that is most suitable for achieving business performance indicators should be comprehensive (Kleiner et al., 1997; Kleiner, 2008; Turenko, 2008; Kurlykova, Kirgizova, 2023). This means that an enterprise from SME segment has a long-term program that regulates the behavior of the organization in a market economy (Turenko, Turenko, 2019). Such a strategy comprises several strategic directions

(production of goods and services, development of new products, promotion and sale, optimization of monetary and investment flows, personnel development, etc.) and includes various sub-strategies, for example, production, technological, product, financial, marketing, personnel, etc. (Turenko, 2008; Kobylko, 2023a).

The work (Kobylko, Rybachuk, 2023) considers strategy as a complex of closely related elements or attributes: core, inner contour and outer contour. The core, being the basis for development of these contours, includes mission, vision, principles, values and long-term goals of the organization. The internal contour includes a set of strategic planning tasks, taking into account major quantitative and qualitative indicators of business performance. The external contour includes duration of the planning horizon, publicity, degree of formalization and elaboration of the strategy, etc.

2. Combination. Building strategies for small and medium enterprises does not always have to comply with traditional, strictly regulated and formal models of strategic management (Analoui, Karami, 2003; Marikova et al., 2022; Zaretskaya, Chernikova, 2022). Professional and life experience, intuition and character of the owners, apparently, are more significant in the development of small and medium enterprises than any clearly structured and formalized strategy. In reality, simplified and intuitive approaches to strategic planning may actually be more suitable for micro and small firms with a small number of employees (Kraus et al., 2008). Small enterprises that focus on active growth and intend to evolve into medium or even large companies, successfully combine informal and formal approaches to the development and implementation of strategies (Leitner, 2007; Menzel, Günther, 2012). In some cases, instability and heterogeneity of the external environment push small and medium companies to combine several strategies simultaneously or sequentially, i.e. they become strategic ambidexters (Reeves et al., 2016).

3. **Adaptability.** A distinctive feature of SMEs is their high flexibility and adaptability to multiple changes in the external environment. However, small firms rarely have the political or economic power and influence to regulate their environment (Analoui, Karami, 2003; Nyangara et al., 2015). This forces small business owners to seek a balance between long-term flexibility and short-term confidence when making decisions, thereby protecting themselves from uncertainty and anticipating new difficulties and problems (Bhidé, 2000; Mintzberg, 1993).

4. **Interactivity.** Building a strategy for a SME involves addressing several key issues: determining the current position of the company in the market; identifying the desired future position of the company after a designated set period of time; identifying a set of tools to achieve the set goals and objectives. These problems are solved in an interactive process that includes the following main stages: implementing and designing a strategy, collecting feedback, accumulating information and knowledge received, adjusting the strategy (Meso-economics of Russia..., 2022). Thus, a strategy which an enterprise has designed and which takes into account feedback, gives owners

of small and medium businesses an opportunity to take preventive measures, thereby increasing the company’s readiness to face controlled and uncontrolled external events.

5. **Inclusivity.** This feature distinguishes between classical (for example, Katkalo, 2003) and modern approaches to understanding strategy and implies combining the strategy of an economic agent, taking into account its internal content, with the strategy of the external environment. The external environment should represent not only those economic agents with whom the enterprise interacts, but also their plans and projects, intentions and ideas (System-Oriented..., 2023).

Differences between the strategies of large companies and SMEs

The practical aspect of strategic planning involves classifying strategies into at least three categories depending on the size of an enterprise: for SMEs, for corporations, and for business ecosystems. Obviously, these strategies differ (Kraus et al., 2007, Kobylko, 2022). Next, let us focus in more detail on comparing some of the features of the strategies of small (medium) and large companies (Tab. 1).

Table 1. Differences in designing strategies for small (medium) and large businesses

Distinguishing criterion	Small and medium enterprise	Large company
Authors	– Owners; – management	– Divisions/departments for strategic planning and forecasting; – consulting companies
Base for designing the strategy	– Professional and life experience of the founder; – “vision” of the owner	In-depth financial analysis, market research, market analysis
Format of the strategy	– “In the head” of the founder (“vision”); – thesis plan	A voluminous document containing a detailed algorithm of actions, a set of quantitative indicators
Degree of formality of the strategy and strategic planning	It varies (depending on the industry, life cycle stage, ambitions of the founder, etc.)	High degree of formalization
The role of the entrepreneur	Considerable importance	Medium importance
Centralization of strategic decision making	High	Low/medium
Degree of owner’s control over strategy implementation	High	Medium (indirect control)
Influence of the external environment	High	Low
Source: own elaboration.		

Authors. Strategic planning issues in many large enterprises are handled by a limited number of authorized persons which include not only top managers (Zavyalova, Kobylko, 2019). A strategy is developed by specialized departments and divisions with up to several dozen employees; besides, the task may be outsourced to external experts and consultants (Kleiner, 1998). Previously, such services to large corporations were provided by consulting companies belonging to the Big Four accounting firms (Deloitte, PricewaterhouseCoopers, Ernst & Young, and KPMG), as well as McKinsey & Company, The Boston Consulting Group, etc. However, after February 2022 they ceased operations in Russia, giving way to Russian, Chinese, Indian and other consulting organizations.

The strategy of a small business is usually developed by its owners/management. Simple organizational structure, small number of employees (compared to a large corporation), as well as limited financial resources do not allow a small enterprise to maintain such numerous specialized units and hire third-party consulting companies (Samotuga, 2021).

Basis for designing a strategy. In a SME, strategy is based on a concise analysis of the company's activities, the founder's life and entrepreneurial experience, their intuition, communication skills and informal connections. In large business, strategy has a solid foundation in the form of a comprehensive financial and production analysis of the enterprise, in-depth market research, competitors, research on competitive advantages, etc.

Strategy form. The tools, methods and form of strategic planning that are suitable for a large enterprise are not always acceptable for a SME (Reboud, Mazzarol, 2008). Specialists from planning and forecasting departments in a large company design a strategy in the form of a fairly voluminous document, which contains a comprehensive algorithm of actions, key and

secondary tasks, quantitative achievable indicators, etc. Degree of elaboration regarding large companies' strategies is quite high.

The strategy of a small or medium company may not even have a clear written form, but may be just a plan "in the head" of the owner/manager, or some kind of informal document ("something sketched on the back of an envelope" (Richbell et al., 2006)), on which the managers rely when making decisions. It is a kind of description of the company's "imaginary future", for which the term "vision" is more appropriate (Collins, Porras, 2005; Kobylko, 2023b).

If we turn to cases from real practice, then, according to a survey by CEMI RAS, the strategies of small enterprises with a staff of up to 50 people are formulated briefly and use general terms, unlike similar documents of large companies (Kobylko, 2023b). This form of strategy – with a low degree of detail – is also used because at any given time the external environment can change and the goals will be achieved faster than previously intended.

Degree of formality of strategy and strategic planning. Informal strategic planning is typical for most domestic SMEs due to the following reasons: high cost of strategy development, lack of staff, lack of time, experience, information, education and managerial skills in the owners, etc. (Robinson, Pearse, 1984; Shrader et al., 1989). A formalized strategic plan is not the best solution for SMEs (and sometimes it even harms small businesses), as it limits innovation and creativity (Adizes, 2004).

The role of the entrepreneur. In small and medium businesses, an important role in the theory and practice of building strategies belongs to the entrepreneur: their personal qualities, goals and objectives, management style, professional skills and experience (Robison et al., 1986; Leitner, 2007; Samotuga, 2021; Zaretskaya, Chernikova, 2022; Debrulle et al., 2023). Thus, the level of strategic planning is higher in those enterprises whose owners are focused on business growth (Sarwoko et al.,

2013), and vice versa: owners of companies pursuing personal interests have a lower level of strategic planning (Wang et al., 2006).

The works (Bracker et al., 1988; Gibson, Cassar, 2002) highlight the following relationship: the more educated a business owner is, the higher the probability that they have strategic thinking and vision, and act according to a certain strategy.

In a large corporation, responsibility for designing and implementing a strategy is “distributed” between heads of departments and key personnel of the company; therefore, the role of the owner is not as significant as in a small enterprise.

Centralization of strategic decision-making process. The number of small business owners is usually up to five people on average. This contributes to the unity of management’s views on the design and implementation of the strategy, as well as centralized decision-making, which contributes to a timely response to changes in the external environment (Samotuga, 2021). Besides, a small number of employees, compared to a large company, provides for a more effective distribution of tasks among the staff.

In practice, SMEs tend to focus on solving short-term rather than long-term strategic issues, and decision-making tends to be reactive rather than proactive (Stonehouse, Pemberton, 2002; Reboud, Mazzarol, 2008; Covey, 2023).

At first glance, it may seem that if the owner of a small business is also its head, this facilitated the decision-making process. However, we cannot but note certain subjectivity in this matter. If a company is headed by an entrepreneur with outstanding abilities, then their impact on the enterprise’s activities is positive. If the situation is different, then the state of affairs in the organization may become very ambiguous (Drozdova, 2014).

Degree of control of the owner over the strategy implementation. Since the level of involvement of the owner (author of the strategy) is high at all stages

of its implementation, the degree of control is quite high. In a large business, the supervision of owners/managers over the execution of the strategy is carried out indirectly, since the degree of involvement of owners is less than in a small enterprise.

Influence of the external environment. The success of implementing the strategy of any enterprise largely depends on the nature of interaction with the external environment. In the case of SMEs, their ability to meet the requirements of the business community is extremely important (Robbins, Coulter, 2013). Unlike large companies, small and medium firms do not have monopoly in the markets; nor do they have extensive and influential administrative resources or financial resources in abundance; therefore, an integral part of their strategy is the ability to create trusting and mutually beneficial relationships with economic agents.

In the practice of strategic planning that has developed over many years, it is proposed to use Albert Humphrey’s SWOT analysis that includes assessment of the internal environment of the forecast object (SWOT – strengths, weaknesses, opportunities, threats) to identify the degree of influence of the external environment. However, for some time now this method has been criticized by Russian scientists (Kleiner, 1998; Katkalo, 2003; Kvint, 2022, etc.). So, it is more reasonable for a company to start an analysis not with an assessment of its strengths and weaknesses, but with threats and opportunities of the external environment, and then we get an OTSW analysis: Opportunities, Threats, Strengths, Weaknesses (Kvint, 2022). In addition, the founder’s ability to objectively assess the strengths and weaknesses of their own business does not seem entirely realistic (Katkalo, 2003); therefore, it is necessary to focus on identifying the unique “potential of the enterprise”, and then evaluate the above-mentioned sides of the company (Kleiner, 1998).

On the expediency of strategies in small and medium businesses

Despite the fact that “your strategy needs a strategy” (Reeves et al., 2016), in real practice, owners and managers of SMEs who avoid strategic planning for a number of reasons are accused of “strategic shortsightedness” (Marikova et al., 2022). Next, let us look at these reasons in more detail.

First, company owners are not fully aware of the importance and necessity of a strategy for their business. Many owners of small and medium enterprises adhere to a fairly widespread opinion that only large corporations need strategies, therefore they avoid long-term or even medium-term planning (Kraus et al., 2007; Drozdova, 2014). Mentioning the terms “strategy”, “planning” and “forecasting” arouses emotions ranging from contempt to hostility in such managers (Posner, 1985; Drozdova, 2014); and during, for example, the coronavirus pandemic, unstable political situation, or amid the active implementation of the policy of sanctions restrictions, the forecasting process for them looks like attempts to “guess the future” (Lesnova, 2020). Such entrepreneurs consider it important to be flexible, mobile and fast, to make decisions overnight, and they believe that paper reports with diagrams only deprive the business of competitive advantages.

Second, an important role in this issue belongs to initial motivation that owners have when creating and running a business. Owners who have little interest in maximizing the productivity and growth of the company and are more focused on personal goals and personal enrichment do not think in terms of strategic planning (Wang et al., 2006). If the owner has ambitions aimed at the rapid growth of the company and smooth implementation of its activities into the existing business environment, then such plans of the company owner affect accordingly both the management style of the

company and the availability of a strategy for the enterprise (Joel, 2016; Kondratskaya, 2019; Kvint, 2022; Debrulle et al., 2023).

The third major issue concerns the absence of managerial and professional skills in company managers and/or owners to initiate the process of creating a strategy and orienting the business toward it (Samotuga, 2021). In this regard, the question arises: are entrepreneurs born or created? Experts explain the success of businesspeople by genetics, character traits, luck, skills and abilities, etc. Within the framework of the NAFI study, the majority of business owners surveyed (88%) believe that these skills can be acquired if there is a desire and motivation, which is influenced by two aspects: 1) role models based on family examples and the successes of famous personalities; 2) educational system and the institution of mentoring⁵. The list of entrepreneurs who inspire young business owners the most includes Elon Musk, Oleg Tinkov* and Pavel Durov⁶.

According to the NAFI survey, a real entrepreneur should have special knowledge, distinctive character traits and skills, among which 67% of respondents distinguish the ability to think strategically, 64% – financial literacy, 62% – stress tolerance, 62% – leadership qualities, 60% – organizational and planning skills⁷. The set of key characteristics that distinguish an entrepreneur has changed a lot over the past 30 years. Thus, in the

* Included in the register of foreign agents in February 2024.

⁵ To be born with it or to learn it? How Russian business owners view the nature of entrepreneurship. Available at: <https://nafi.ru/analytics/roditsya-ili-nauchitsya-kak-rossiyskie-vladeltsy-biznesa-smotryat-na-prirodu-predprinimatelstva/> (accessed: April 27, 2024).

⁶ Budding entrepreneurs revealed who they are inspired by to start their own businesses. Available at: <https://tass.ru/ekonomika/17746413> (accessed: April 27, 2024).

⁷ To be born with it or to learn it? How Russian business owners view the nature of entrepreneurship. Available at: <https://nafi.ru/analytics/roditsya-ili-nauchitsya-kak-rossiyskie-vladeltsy-biznesa-smotryat-na-prirodu-predprinimatelstva/> (accessed: April 27, 2024).

1990s the businessperson was associated with such qualities as “banditry” (62%), “impudence” (56%), “willingness to take risks” (22%), “resourcefulness” (14%), while according to a study conducted in 2019, the respondents give more positive definitions, for example “competent” (71%), “responsible” (62%). In addition, the portrait of a modern entrepreneur is complemented by the growth of professionalism and contribution to the national economy⁸.

Data from previous NAFI surveys indicate that 90% of Russian entrepreneurs would like to learn something new. The most in-demand study fields include skills in data analysis and digital competence (23 and 17%), financial and legal literacy (36 and 20%, respectively), customer-oriented approach (22%), while strategic thinking is pointed out only by 13% of respondents.

Fourth, small and medium enterprises are limited in financial resources for objective reasons. Since the business at the start is usually financed according to the 3 F principle (Family, Friends, Fools), then the initial investment volume of a small company is quite small, at the stage of creating an enterprise there may be no detailed business plan, and cash flow planning in particular. At the same time, limited financial resources do not allow SMEs already operating on the market to maintain special planning units, as well as pay for high-quality consultations from third-party consulting companies on strategic planning and management (Guskova, 2021).

Fifth, the vague idea that the owner/manager has about the prospects of the enterprise and the market as a whole is poorly correlated with the presence of a business strategy (Kobylko, 2023a). In some cases, as the company grows, the owners still think about strategic planning, but it is difficult

to determine where the boundary between the indicators that determine the scale of the business lies. Such an indicator can be, for example, gradation of the number of enterprise employees, contained in the current legislation⁹.

And finally, sixth, managers and/or owners of small and medium companies are usually heavily loaded with routine tasks and responsibilities that consume a lot of time and do not even give an opportunity to think about a potential business development strategy (Analoui, Karami, 2003; Kraus et al., 2007). The company’s staff, in turn, are also overloaded with everyday issues of procurement and sales, finance and investment, finding customers and suppliers. In some cases, small companies resort to the services of outsourcing firms (accounting, as a rule), but this can complicate the processes of developing and following a strategy and lead to additional undesirable costs for a small enterprise (Samotuga, 2021).

Results of the survey of SME representatives

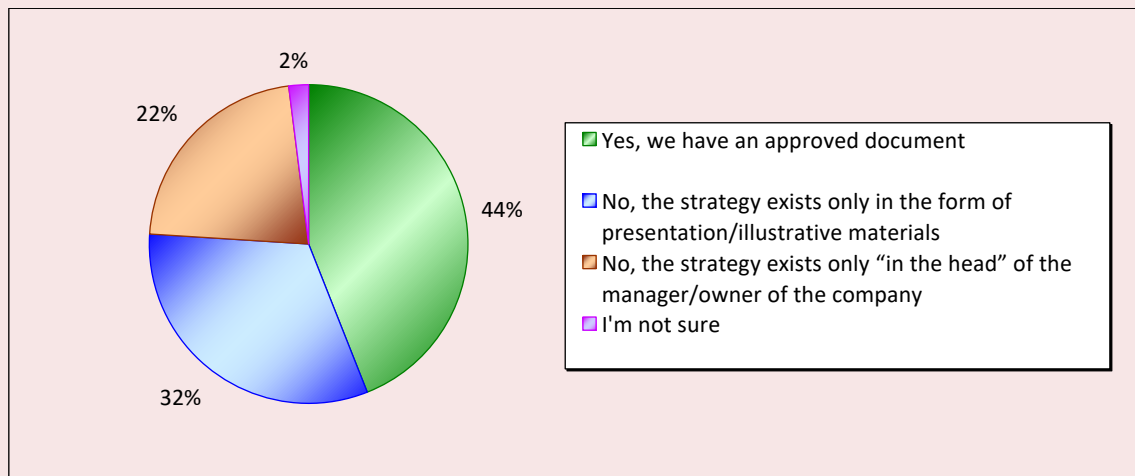
Theoretical and practical research presents the relevance of the strategy for small and medium businesses in one key, while the survey results demonstrate how things are in real life.

Publicly available research on strategic planning in small and medium businesses is based on surveys that investigate the directions of specific strategies that business owners apply during financial crises, coronavirus pandemic or numerous sanctions restrictions (for example, FOM’s research and communication project “Sociology of small business”, NAFI surveys, etc.). However, there are practically no studies that investigate applicability, significance and specifics of SME sector strategies, or identify their differences from similar documents drawn up for large businesses.

⁸ Research: Russian business through the eyes of “fathers” and “children”. Available at: <https://nafi.ru/analytics/issledovanie-rossiyskiy-biznes-glazami-ottsov-i-detey/> (accessed: April 28, 2024).

⁹ On the development of small and medium entrepreneurship in the Russian Federation: Federal Law 209-FZ, dated July 24, 2007 (amended December 12, 2023). Available at: https://www.consultant.ru/document/cons_doc_LAW_52144/08b3ecbc9a360ad1dc314150a6328886703356/ (accessed: May 1, 2024).

Figure 1. Responses of SMEs representatives to the question "Does your organization's strategy exist in the form of an approved official document?", % of respondents



Source: CEMI RAS survey of companies.

Thus, in 2023, CEMI RAS conducted a survey unique in terms of content and results, with participation of 81 SMEs. The results have shown that 70% of companies have a strategy, while about 2/3 of small and medium firms not only have a strategy, but also have it in written form (*Fig. 1*).

The priority business areas are formulated clearly and in detail only for a third of respondents, almost the same number of enterprises have this information briefly (abstractly), and 10 companies have it in the form of trends in the development of the market in which these enterprises operate. Thus, when answering the question about the details of the strategy, opinions were divided. This is probably due to the fact that the small and medium firms participating in the survey are at different stages of their life cycle and have different plans for the future.

The quantitative indicators that need to be achieved in the process of implementing the strategy are formulated in a generalized form in 52% of enterprises, in 35% they are set out in detail, in 12%

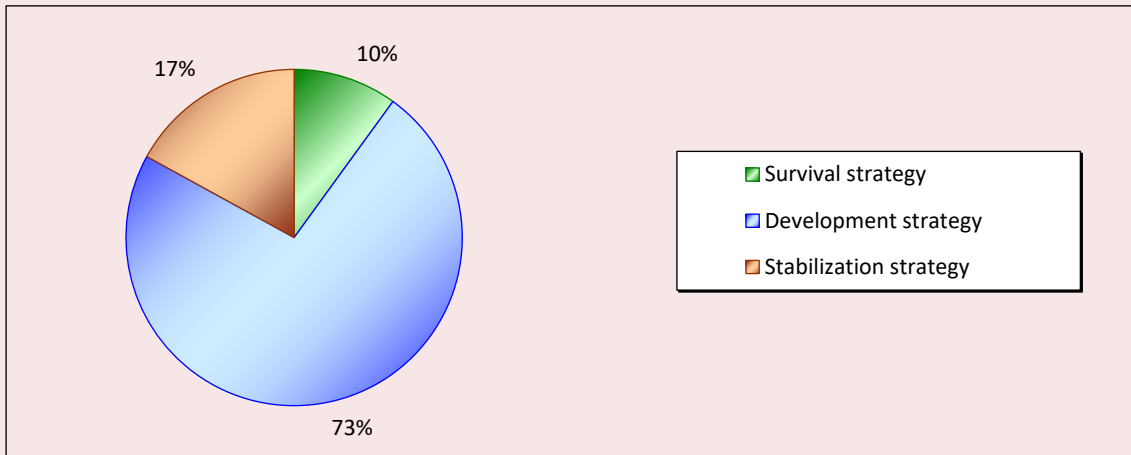
they are not formulated at all; 86% of respondents have control over the execution of the strategy, while the frequency of control varies: 39% – several times a year, 29% – about once a year, 15% – as needed.

The responses to the question about general characteristics of the current strategy of companies are shown in *Figure 2*. A positive point is the fact that almost 3/4 of companies adhere to a development strategy, rather than survival or stabilization strategy.

Further, questions were asked about the impact of existing strategies on the activities of organizations. Thus, for most companies, the business performance indicator has changed for the better, but representatives of a quarter of enterprises believe that the presence of a strategy has not had an impact on the company's effectiveness (*Fig. 3*).

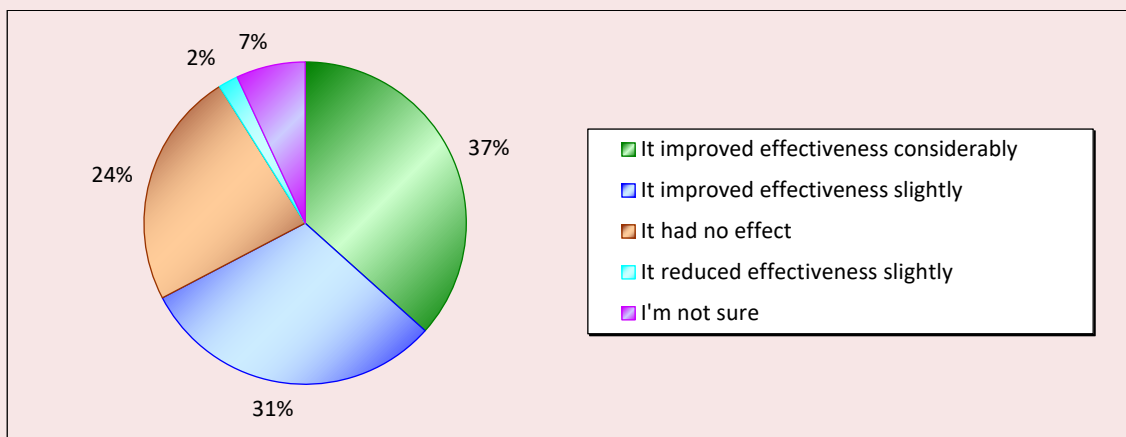
Representatives of small and medium businesses gave similar answers to the question about reducing the level of risk (uncertainty) through the implementation of the strategy. The result obtained allows us to conclude that, in general, strategies bring more good than harm to the work of SMEs.

Figure 2. Current strategy of companies, % of respondents



Source: CEMI RAS survey of companies.

Figure 3. Responses of SMEs representatives to the question “How does the strategy affect current performance effectiveness of your organization?”, % of respondents



Source: CEMI RAS survey of companies.

The final question has clarified how the adopted strategy correlates with the actual activities of the organization. It turned out that the activities of the vast majority of respondents (75%) fully comply with the adopted strategy. This indirectly confirms that if a SME owner has developed and adopted a strategy for their business, then they try to follow it despite external circumstances¹⁰.

The conducted pilot survey, which initially had a small coverage of respondents, allowed us to obtain up-to-date information about the importance and applicability of strategies in small and medium businesses in Russia. In the future, the study can be supplemented with new results by expanding the number of respondents and increasing the number of questions.

¹⁰ CEMI RAS survey “Strategy format in a turbulent period”, 2023.

Conclusions

The importance of strategy for SMEs in the modern ultra-dynamic and volatile external environment is succinctly defined by the American sociologist A. Toffler: “If you don’t have a strategy, you’re part of someone else’s strategy” (Toffler, 2004). At the same time, the value of strategy is determined by the external environment in which the enterprise is located: in a stable and prosperous environment, the importance of strategic planning is lower than in turbulent market conditions.

A review of Russian and foreign literature, as well as analysis of modern business practices on designing strategies in small and medium enterprises allowed us to formulate the following conclusions.

1. Small business is an essential component of a market economy and plays a significant role in economy and society. Modern Russian small and medium enterprises face daily problems related to increasing their competitiveness in an unstable external environment, so choosing a strategy is one of the key tools for survival in turbulence.

2. No business is small enough to do without a strategy (Analoui, Karami, 2003). Many foreign and Russian scientists believe that a firm from the SME segment that carries out strategic planning is more likely to benefit from having a strategy. This is confirmed by the results of a survey of small and medium businesses conducted in 2023 by CEMI RAS, according to which: a) 70% of companies have a strategy; b) 2/3 of respondents have a written strategy; c) using a strategy has increased business effectiveness in 68% of companies; d) 86% of enterprises control the execution of their strategy; e) 3/4 of enterprises fully comply with the adopted strategy.

3. SMEs strategies are clearly different from strategic plans of large companies. These differences are systematized and clearly presented in this article. A particularly important factor is the figure of the entrepreneur themselves, including their

professional skills and analytical abilities that affect systems thinking and managerial decision-making, as well as initial motivation to organize own business.

4. The form, term and other external attributes of strategy depend on the type of activity of the enterprise, stage of the company’s life cycle, and management style of the head/owner.

5. Strategies of small and medium firms are characterized by certain features noted in this article, namely integrated approach, multitasking, adaptability, interactivity, inclusivity. They make it necessary to apply special approaches to strategic planning at SMEs. These approaches should be, on the one hand, accessible to small business owners, and on the other, easy to design, implement and regulate.

6. In real practice, owners of small and medium enterprises are not always ready to think strategically and conduct business according to the planned strategic course, and there are a number of reasons for this: insufficient awareness of the importance of strategy for the company’s development; lack of motivation aimed at intensive growth of the enterprise; limited financial resources; engagement of owners and management in routine issues; owner’s lack of the required managerial and professional skills, as well as “strategic shortsightedness” – a vague idea of the prospects of the enterprise and the market as a whole.

7. Public and state support for the SME strategy development can be considered as a part of an infrastructure for developing entrepreneurial activity. However, the requirement for the small firms to provide a high-quality business development strategy as a condition for receiving some governmental is unlikely to have a positive effect on the mood in the business environment, since this segment of the economy has already been in the “control and supervisory grip”.

Theoretical, practical significance of the paper and the results obtained by the author consist in the fact that the main provisions and conclusions of the article can be used in the activities of state governmental authorities – for modernizing current approaches to the SME support and for the adapting of the existing system of the developing this economic sector within the framework of the “Strategy for the Development of Small and Medium Entrepreneurship in the Russian Federation for the Period up to 2030”; in the activities of owners of small and medium firms – for designing development strategies, improving the efficiency of the enterprise and to make management decisions; in the work of organizations – for providing information and consulting services to companies from the SME segment on strategic planning; in scientific activities – for the development of academic competencies on designing strategies for small and medium companies.

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