

УДК 33
JEL: L26, L5, M1, Q55

KEY LINES TO IMPROVE COMPETITIVENESS OF SMALL INNOVATIVE BUSINESSES

Konstantin Yu. Reshetov¹

¹ National Institute of Business, Russian Federation
5, Yunosti street, Moscow, 111395

¹ Candidate of Economic Sciences, Associate Professor, Professor of the Business Economy and Management chair
E-mail: Konstantvp@yandex.ru

Received: 06/20/2015

Approved: 08/28/2015

Abstract

The study discusses the importance of small innovative businesses in the modern global economy. The article also deals with the key lines to improve their competitiveness, and the author makes the conclusion how spread and promising the strategies are in Russia.

Keywords: entrepreneurship, small business structures, competitiveness, innovations.

Reference: Reshetov K. Yu. *Key Lines to Improve Competitiveness of Small Innovative Businesses. M.I.R. (Modernization. Innovation. Research), 2015, vol. 6, no. 3, part 2, pp. 39–43.*

Small innovative companies are a must in the innovative development of the economy of any country. Their role is determined, first of all, by their unique ability to overcome a gap in the innovation process between the stages of R&D activities and implementation of their results in practice. This property of small innovative companies determines their importance in the process of generating innovative ideas, using and promoting technologies of modern technological processes, establishing powerful corporations on their base and thus creating the bulk of new jobs in the economy¹.

According to some researchers, the full satisfaction of consumer needs in innovation today can be determined by the level of efficiency of performance of small businesses². High rates of innovation use, mobility of technological changes and implementation of innovations, rapid growth of the service sector, and acute non-price and price competition leading, on

the one hand, to the price reduction and, on the other hand, to consumers receiving services (products) of high quality – all this is provided by small businesses. This also allows the state to receive significant funds from tax revenues; all this is the contribution of small innovative companies into the economy.

We can agree with A.M. Mukhamedyarov that small businesses are a very important part of the innovation processes in the economy, as it is characteristic for them to reduce the length of the innovation cycle due to a minimum administrative hierarchy in the decision-making process and low indirect costs³. Innovative activities of small businesses increase due to their desire to survive: the lack of bureaucratic barriers, rapid tests of innovations and the innovation being the only opportunity for companies to strengthen their market positions. Having limited resources, small businesses are interested in accelerating the development and use of new technologies and

¹ See also: Mukhamedyarov A.M. *Innovation Management. M.: INFRA-M, 2008*; Reshetov K.Yu. *Improvement of methods to ensure competitiveness of innovative Russian business structures: Monograph. M.: RAP; Science and Education Publishing House, 2014, etc.*

² See also: Zyurina O.A. *The role of the small innovative business in formation of the middle class // Proceedings of the Innovative Development of Russia's Economy: Resource Provision conference* <http://www.econ.msu.ru/departments/politec/science/conferences/ds1430/>; Reshetov K.Yu. *Principles of business competitiveness at the macro-, meso- and micro-levels // Business in Law magazine. 2012. No. 6*; Reshetov K.Yu. *Modern Russian business structures and influence of their size on the competition nature // Actual Problems of Social-Economic Development of Russia magazine. 2012. No. 3*; Sergeyev I.V., Veretennikova I.I. *Business management. M.: Prospect, 2010, etc.*

³ See: Mukhamedyarov A.M. *Innovation Management. M.: INFRA-M, 2008.*

different innovations, and developing new products to the pre-production prototypes, which are then given to large companies on a commercial basis for the further use.

Small innovative companies are the intermediary between science and production. Their level of development determines how quickly a new technology or innovation is implemented in practice.

In most developed countries in the world, over 60% of GDP is generated by small businesses which are the engines of the economic development. Moreover, the success of small businesses in the competition directly depends on the degree of their innovation development, mobility and flexibility in all administrative processes¹.

As some researchers rightly argue, the development of small innovative companies is a must for the economy to move to a 'smart economy', to efficiently restructure production and businesses, as well as to solve problems of employment and growth of the nation's welfare². Small business has the lowest investment requirements and the rapid capital turnover. The world experience shows that it provides in two to three times more efficient business investments in terms of both the fund volume and return.

The present-day market economic principles require the use of innovative models of development to accelerate the growth of the country, to achieve high competitiveness in the world market by increasing the share of export of high-tech products in its total structure, to gradually provide the necessary pace of import substitution and to rationally use all resources³.

The rapid spread of innovations is possible due to the various forms of communication and cooperation between small innovative businesses and large corporations; the latter often provide small innovative companies with loans or any other aid in the early

stages of the innovation development in exchange for the detailed information on their innovation in the future. To fulfill state orders association of small businesses, or pools, are sometimes established: one company is a direct contractor of the state, and the others are subcontractors. Innovative models in Europe, and especially in France and Germany, are characterized by the focus on support of small innovative companies. The share of such companies in Europe ranges from 60 to 90%. The advantage of small innovative companies is their production flexibility and increased adaptation to changing consumer needs⁴.

Small innovative entrepreneurship responds more flexibly to changes in the external environment both in the markets of the industrially developed Western countries and in the Russian economy. This is mainly possible due to the small-scale factors, more flexible business structure and the absence of bureaucracy in management. As the world practice shows, innovative entrepreneurship is formed mainly thanks to small innovative companies, or market leaders, involved in the development of new sectors and industries, improvement of competitiveness and knowledge-intensive production, as well as optimization of new technological processes.

Globalization of the economy, the open market and direct entry to the WTO influence the state's competitiveness and possibilities to development of the considered companies. What are the key lines to develop Russian small innovative companies under the globalization and open market conditions? The range of alternatives for development of this business under the conditions mentioned is rather narrow⁵. Without losing the legal independence, the companies under discussion can choose the development line out of the following five key areas:

- 1) "To become big" is one of the first and simple options for development, which has been chosen

¹ See: Fiyaksel E.A. The role of the innovation cluster in establishing the RIS (Regional Innovation System) / E.A. Fiyaksel, M.G. Nazarov // Innovations. 2009, No. 6 (128), pp. 86–88.

² See: Sergeyev I.V., Veretennikova I.I. Business management. M.: Prospect, 2010.

³ See: Reshetov K.Yu. Innovative models of technological development of company structures and their applicability to today's Russia // Business in Law magazine. 2012, No. 6, pp. 202–205.

⁴ See: Mazzarol T. W. A Model of Small Business HR Growth Management // International Journal of Entrepreneurial Behaviour and Research. 2003, No. 9(1), pp. 27–49.

⁵ See: Kostrov A.V. How to attract small businesses to innovations // Innovations. 2009, No. 10 (132). Pp. 7–10; Reshetov K.Yu. Competitiveness of Russian innovative business structures (theoretical and methodological aspects): Monograph. Moscow, Publishing House of the National Business Institute, 2013; Savchenko O.V., Sonikov A.A., Shkuratov S.E. Management of small innovative companies. Obninsk: Artifex, 2007; Sharov A.V. Development of small and medium-sized innovative companies as a must to improve the Russian economy // Innovations. 2010, No. 5 (139), pp. 21–27, etc.

by many companies (Microsoft¹, Ford², etc.). This strategy bases on the classic 'growth' strategy³. It should be noted that today, when the traditional markets and innovative products are divided between large companies, the implementation of this strategy by small businesses is not sufficient and ineffective in general.

- 2) "Cooperation with big business": this line of development of small companies is rather efficient under the current conditions when small businesses remain legally independent and operate in close contact with large companies and are considered independent production units. This strategy bases on the strategy of the integrative growth⁴.

It should be stressed that it concerns not only competition of small businesses with large ones with the obvious outcome of it. The most striking example of a large company cooperating with small businesses is the Boeing⁵ corporation which cooperates with the companies under discussion mainly through the outsourcing system.

Outsourcing is contracting with unauthorized suppliers or contractors to do a particular function in the company's performance under the condition that the latter guarantees the quality and effectiveness of the work done due to update or transformation of business processes (technologies) and the possibility of moving some company personnel to the supplier (outsourcer)⁶.

The purpose of outsourcing is to increase the market value of companies by optimizing the results of their performance, reducing risks and costs and improving competitiveness by attracting external contractors, which are oriented to perform specific production and economic functions non-core to the business.

Study of scientific approaches allows formulating the key advantages of outsourcing⁷:

- improvement of business profitability: outsourcing

allows implementing measures to reduce expenditures on maintaining business processes;

- the possibility to concentrate all efforts on the core business. The processes non-core to the business are outsourced, and this allows not conducting the activities, which are not core, but require certain expenditures;
 - attracting outside experience: outsourcing companies specialize in certain activities, serve many companies, and this allows them to master technologies and work methods, and use the best experience gained;
 - security and stability: outsourcing companies are responsible for the work they do under the signed service contracts;
 - high business flexibility: if the business increases or decreases, the company has to employ or dismiss the personnel, to bear the cost of professional training, to equip work places and to pay extra compensations and taxes. All this requires additional time and expenditures and often causes decreased mobility of business processes. To reduce or increase the scale outsourcing companies only have to review the price of the works or services they outsource.
- 3) "Incorporation with small businesses": this option of development of small innovative companies provides a high level of integration of companies to overcome common external threats. Most actively, associations of small innovative companies are established and operate in developed regions and territories (on the bottom-up principle). The attempts of public authorities to establish clusters solely on the small innovation businesses, on the top-down principle, are, as a rule, ineffective. According to leading experts, the current level of development of innovative small businesses in Russia and their horizontal interactions are insufficient to improve the clustering process.

¹ Microsoft history [Electronic resource]. Mode of access: http://reced.ru/info_microsoft-kompanii.php

² Ford history [Electronic resource]. Mode of access: http://ford.infocar.com.ua/history_ford.html

³ See: Lyasko V.I. Strategic planning of company's development. M.: Examin Publishing House, 2005.

⁴ See: Lyashko F.E., Prikhodko V.I., Tyutyushkina G.S. Strategic management in the aviation industry. Ulyanovsk: Ulyanovsk State Technical University, 2003.

⁵ See: Cheremisin D.V. Outsourcing as an element of the modern economic mechanism: the theoretical aspect: Thesis of PhD in Economics: 08.00.01. Moscow, 2005.

⁶ See: Outsourcing – What is Outsourcing? [Electronic resource]. Mode of access: http://www.sourcingmag.com/content/what_is_outsourcing.asp

⁷ See: Anikin B.A., Rudaya I.L. Outsourcing and outstaffing: high management technologies. M.: INFRA-M, 2009; Molotkova N.V., Sakharov I.S. The quality of IT outsourcing services: organizational and technological solutions. Tambov: Tambov State Technical University Press, 2008; Cheremisin D.V. Outsourcing as an element of the modern economic mechanism: the theoretical aspect: Thesis of PhD in Economics: 08.00.01. Moscow, 2005.

- 4) "Establishment of small innovative companies to obtain good results with high risk" This strategy is used by venture small innovative companies which have temporary organizational structures, and are involved in the development of scientific ideas and turning them into new products and technologies¹. These companies are established to complete, test and adjust the 'risky' innovations for the industrial implementation. Small innovative venture companies are established on a contract basis and operate using the funds from cash pooling of several persons or entities, or using loans and investments from large companies, banks, and state and private funds.
- 5) "Establishment of small innovative companies on the basis of capital from business angels" The strategy implies financing of a company at the stage of establishment by business angels. Business angels are informal venture investors, which like venture investors invest in risky businesses². Unlike venture investors, business angels invest their own funds in small innovative businesses. Both this and the above-described lines of funding are very promising today. It is able to increase the interest in small innovative companies.

Thus, the analysis of the basic lines of development of small innovative companies shows that the most spread option in today's Russia is the "Cooperation with big business" strategy. Considering the low level of development of innovative businesses, this strategy can be an efficient solution to stimulate the development of innovative companies using big businesses.

The article's author believes the fourth and fifth strategies for establishing venture small innovative companies and small innovative businesses based on the funds of business angels to be promising, but more risky.

References

1. Anikin B.A., Rudaya I.L. Outsourcing and outstaffing: high management technologies. M.: INFRA-M, 2009.
2. Zyurina O.A. The role of the small innovative business in formation of the middle class // Proceedings of the Innovative Development of Russia's Economy: Resource Provision conference <http://www.econ.msu.ru/departments/politec/science/conferences/ds1430>.
3. Microsoft history [Electronic resource]. Mode of access: http://reced.ru/info_microsoft-kompanii.php.
4. Ford history [Electronic resource]. Mode of access: http://ford.infocar.com.ua/history_ford.html.
5. Kostrov A.V. How to attract small businesses to innovations // Innovations. 2009, No. 10 (132), pp. 7–10.
6. Lyasko V.I. Strategic planning of company's development. M.: Examin Publishing House, 2005.
7. Lyashko F.E., Prihodko V.I., Tyutyushkina G.S. Strategic management in the aviation industry. Ulyanovsk: Ulyanovsk State Technical University, 2003.
8. Molotkova N.V., Sakharov I.S. The quality of IT outsourcing services: organizational and technological solutions. Tambov: Tambov State Technical University Press, 2008.
9. Mukhamedyarov A.M. Innovation Management. M.: INFRA-M, 2008.
10. Reshetov K.Yu. Innovative models of technological development of company structures and their applicability to today's Russia // Business in Law magazine. 2012, No 6, pp. 202–205.
11. Reshetov K.Yu. Competitiveness of Russian innovative business structures (theoretical and methodological aspects): Monograph. Moscow, Publishing House of the National Business Institute, 2013.
12. Reshetov K.Yu. Business structure and competition: problem statement // Business in Law magazine. 2012, No. 3.
13. Reshetov K.Yu. Principles of business competitiveness at the macro-, meso- and micro-levels // Business in Law magazine. 2012, No. 6.
14. Reshetov K.Yu. Improvement of methods to ensure competitiveness of innovative Russian business structures: Monograph. M.: RAP; Science and Education Publishing House, 2014.
15. Reshetov K.Yu. Modern Russian business structures and influence of their size on the competition nature // Actual Problems of

¹ See: Yagudin S.Yu. Venture business: franchising. M.: EAOI Publishing Center, 2008.

² Ibid.

- Social-Economic Development of Russia magazine. 2012, No. 3.
16. Reshetov K.Yu. Peculiarities of ensuring competitiveness of innovative Russian businesses under globalization // Actual Problems of Social-Economic Development of Russia magazine. 2012, No 4.
 17. Reshetov K.Yu. The essence of competitiveness of innovative businesses // Actual Problems of Social-Economic Development of Russia magazine. 2013, No.1.
 18. Savchenko O.V., Sonikov A.A., Shkuratov S.E. Management of small innovative companies. Obninsk: Artifex, 2007.
 19. Sergeyev I.V., Veretennikova I.I. Business management. M.: Prospect, 2010.
 20. Fiyaksel E.A. The role of the innovation cluster in establishing the RIS (Regional Innovation System) / E.A. Fiyaksel, M.G. Nazarov // Innovations. 2009, No. 6 (128), pp. 86–88.
 21. Cheremisin D.V. Outsourcing as an element of the modern economic mechanism: the theoretical aspect: Thesis of PhD in Economics: 08.00.01. Moscow, 2005.
 22. Sharov A.V. Development of small and medium-sized innovative companies as a must to improve the Russian economy // Innovations. 2010, No. 5 (139), pp. 21–27.
 23. Yagudin S.Yu. Venture business: franchising. M.: EAOI Publishing Center, 2008.
 24. Mazzarol T. W. A Model of Small Business HR Growth Management // International Journal of Entrepreneurial Behaviour and Research. 2003, No. 9(1), pp. 27–49.
 25. Outsourcing – What is Outsourcing? [Electronic resource]. Mode of access: http://www.sourcingmag.com/content/what_is_outsourcing.asp.
 26. Dudin M.N., Ljasnikov N.V., Kuznecov A.V., Fedorova I.Ju. Innovative transformation and transformational potential of socio-economic systems// Middle East Journal of Scientific Research. 2013, Vol. 17, No. 10, pp. 1434–1437
 27. Baranenko S.P., Dudin M.N., Ljasnikov N.V., Busygin K.D. Using environmental approach to innovation-oriented development of industrial enterprises // American Journal of Applied Sciences. 2014, Vol. 11, No.2, pp. 189–194.

МИР (Модернизация. Инновации. Развитие)

ISSN 2411-796X (Online)

ISSN 2079-4665 (Print)

РАЗВИТИЕ

БАЗОВЫЕ НАПРАВЛЕНИЯ ПОВЫШЕНИЯ КОНКУРЕНТОСПОСОБНОСТИ МАЛЫХ ИННОВАЦИОННЫХ ПРЕДПРИНИМАТЕЛЬСКИХ СТРУКТУР

Константин Юрьевич Решетов

Аннотация

В данном исследовании рассматривается значение малых инновационных предпринимательских структур в современной глобальной экономике. Также в этой статье раскрывается суть основных направлений повышения их конкурентоспособности и делается вывод о распространенности и перспективности применения данных стратегий в России.

Ключевые слова: предпринимательство, малые предпринимательские структуры, конкурентоспособность, инновации.

Для ссылки: Решетов К. Ю. Базовые направления повышения конкурентоспособности малых инновационных предпринимательских структур // МИР (Модернизация. Инновации. Развитие). 2015.Т. 6. № 3. Часть 2. С. 39–43. (in English)