

## **Basic Characteristics of Small and Medium-Sized Enterprises in Terms of Their Goals**

**Doc. Darja Holátová, PhD**

**Ing. Monika Březinová, PhD**

Department of Management, Faculty of Economics  
University of South Bohemia  
Studentská13, 370 05 Czech Budejovice  
Czech Republic

### **Abstract**

*The strategic management represents current direction of management. It is applied in all types of enterprises, including small and medium sized ones. Using principles of process management within SMEs has its limitations caused mainly by size of the enterprise and the related focus on operational management. Other specificities are function accumulation, informal leadership, preference for oral communication before written, etc. Nevertheless, implementation of strategic management can increase competitiveness, reduce costs, improve decision-making, facilitate implementation of the employee motivation system, shorten delivery times, higher quality of customer satisfaction, etc. The aim of this article is to find how much SME include principals of the strategic management by their goals.*

### **1. Introduction**

SMEs are indispensable in all economies, can be described as a driving force of business, growth, innovation, competitiveness, and are also very important employer. In the Czech Republic performed on 31<sup>th</sup> 12 2011 some business activity 1,066,787 legal and natural persons who are placed in the category of small and medium-sized enterprises. The total number of active enterprises are small and medium-sized enterprises participated in 2011 a total of 99.84%. The share of employees in small and medium-sized enterprises amounted to 60.85% in relation to the employees of the Czech economy. According to Řehoř, in 2007 the small and medium-sized businesses will create and offer new and quality jobs.

According to Srpová (2010), management of small and medium-sized enterprise has many specifics. In small companies due to the small number of employees and managers many functions are accumulated within the competence of only a few workers predominates, informal leadership is more common, oral communication is preferred over written, etc. According to a team of authors (2012) however, a high degree of flexibility to adapt rapidly to changing SME factors, it determines the face and reduce the growing globalization tendencies associated with the onset of multinational corporations and chains.

Strategic management, based on long-term forecasts, helping the company to anticipate future challenges and opportunities. (Keřkovský and Vykypěl 2006). According Sedláčková, Buchtý (2006) strategic management gives clear goals and directions for the future of the company and its workers a sense of security. Strategic management helps to increase the quality of management, leads managers to improve their deciding. Keřkovský, Vykypěl (2006) further states that strategic management helps improve communication in the company, project coordination, staff motivation and improve resource allocation.

Dedouchová (2001) gives two definitions of strategy, traditional and modern. Traditional definitions approach to understand the strategy of the company as a document in which there are long-term objectives of the company, determined the process of operations and allocation the resources needed to meet these goals. The modern concept sees strategy as the company prepared for the future. The strategy includes the long-term objectives of the company, the process of strategic operations and deployment of enterprise resources needed to meet these goals so the strategies would be based on business needs, take into account the changes in its resources and capabilities, and at the same time adequately respond to changes in the environment of the company.

The central concept of strategic management is a strategy that is closely linked to the objectives it tracks. According to Kotler, Keller (2012) strategies express the basic idea of which way the company goals will be achieved. The article deals with the mapping of the fundamental characteristics of SMEs in terms of their strategic management.

## **2. Research Methodology**

This article is provided as one of the outputs of the research project "Process management and the possibility of its implementation in small and medium-sized enterprises" of Grant Agency of the University of South Bohemia GAJU 068/2010/S and serves as one of the sources for grant GAJU 039/2013/S .

In the research project was used secondary data (financial statements of SMEs who took part in the research) and primary data which was obtained primarily through quantitative methods questionnaire supplemented by qualitative method of in-depth interviews. For the classification of small and medium-sized enterprises has been used a new definition of the European Union (European Commission: A new definition of SMEs 2006) in accordance with the Law No. 47/2002 Coll. as amended. This system has been adapted for the needs of the research, according to the following table number 1, where the group of small businesses was divided into two groups according to the number of employees in order to achieve detailed breakdown.

In the South Bohemian region was registered in 2011 68,826 economic entities from the selected category.

**Table 1: Classification of SMEs**

Enterprise size	Number of employees (Annual Work Unit)	Annual turnover	annual balance sheet
Medium enterprise	50 – 249	< 50 mil. €	< 50 mil. €
Small enterprise	25 – 49	< 10 mil. €	< 10 mil. €
	10 – 24	< 10 mil. €	< 10 mil. €
Micro enterprise	0 – 9	< 2 mil. €	< 2 mil. €

Source: own processing according to the European Commission (2006)

Enterprises with up to 9 employees (micro-enterprises) represent 18% of the total number. Small enterprises represent less than 4% of all the small and medium-sized enterprises in the region. There are registered 78% of medium-sized enterprises within the region (Statistický bulletin – Jihočeský kraj 2011, Statistical bulletin).

According to the legal form of business in the basic aggregate there dominate private entrepreneurs (77%), after that companies (9%), associations (5%), corporations of proprietors and cooperatives (3%), foreign persons (2,5%) and others. (European Commission. Key figures on European business with a special feature on SMEs 2011).

The prevailing business activities according to the classification of economic activities

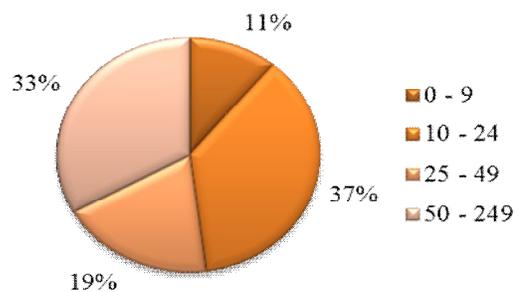
CZ-NACE in the examined aggregate constitute Wholesale and retail (22%). Building industry and industry are represented within the research identically with 13%, within the region there are about 21 000, or 19 000 as the case may be, and so they occupy the second and third position from the point of view of CZ-NACE. Business activities according to

CZ-NACE such as section A - agriculture, forestry and fishing, section B - mining and extraction and section I – accommodation, catering and restaurants, were eliminated from the research because of their different perception and management of company processes – these are completely specific groups. There was chosen a research sample from the base aggregate with the method of improbability of random choice by reason of difficult conditions of data collection.

The research sample consists of 187 small and medium-sized enterprises of South Bohemia region. Composition of the research sample according to size (number of employees) and activity is indicated in tables no. 2 and 3 and in diagrams no. 1 and 2.

**Table 2, Graph 1: Composition of the research sample of small and medium-sized enterprises according to number of employees**

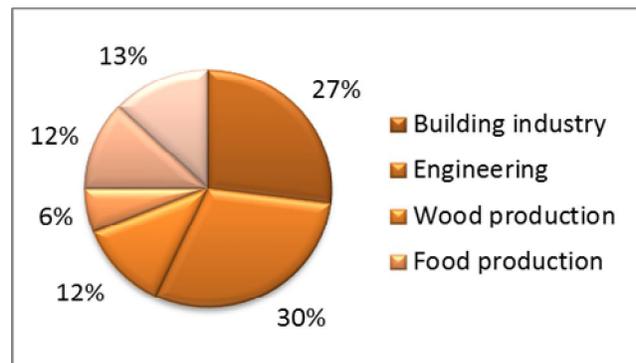
Number of employees	Number of enterprises	
0 - 9	20	11%
10 - 24	70	37%
25 - 49	36	19%
50 - 249	61	33%



Source: own survey

**Table 3, Graph 2: Composition of the research sample of small and medium-sized enterprises according to business activity**

Activity	Number of enterprises	
Building industry	51	27%
Engineering	57	30%
Wood production	22	12%
Food production	11	6%
Commerce	22	12%
Services and Transport	24	13%



Source: own survey

### 3. Results

Analoui and Karami present/2003/ that majority of the small and medium sized companies has formally /as written document/ or not formally determined strategy. Presented research brought short term goals and brought also the similar results. Strategy has the goal to push forward the company towards to achieve short term goals and finally to achieve its basic purpose. The goals of the small and medium sized companies are often based on personal goals and preferences of the owners. Determined goals in such a way are logically very subjective, they are often not chosen correctly in comparison with the milieu where the companies create activities. The goal of the company should always correspond with the chosen mission and should put into respect strong and weak aspects of undertaking, opportunities and distress, that the company can use or must face them. In general the goal of the company should answer the basic questions of undertaking and present requested result

In the research sample of the small and medium sized companies in the frame of research there were identified 6 categories of the company goals. The category Quality was dominant, The companies presented for their goal both satisfaction of the customers (also employees) increasing the quality, good name of the company and flexibility. Following most often presented goal was Development both development of the whole company and separate development of the partial parts. Innovation was also presented as the main goal in this category. Category Stability has also very strong representation, the companies presented the whole stability at the market and also stability of prices. In this category the companies also mentioned keeping the number of employees. Another goal is connected with this matter and it is covering the market and survival, that was followed in minimum cases. Concerning studying small and medium sized companies goal Profit was, of course, dominant one. In the chart 4 numerosness of searching of the goals of some small and medium sized companies according to the number of employees is presented. And graph nr. 8 shows these results.

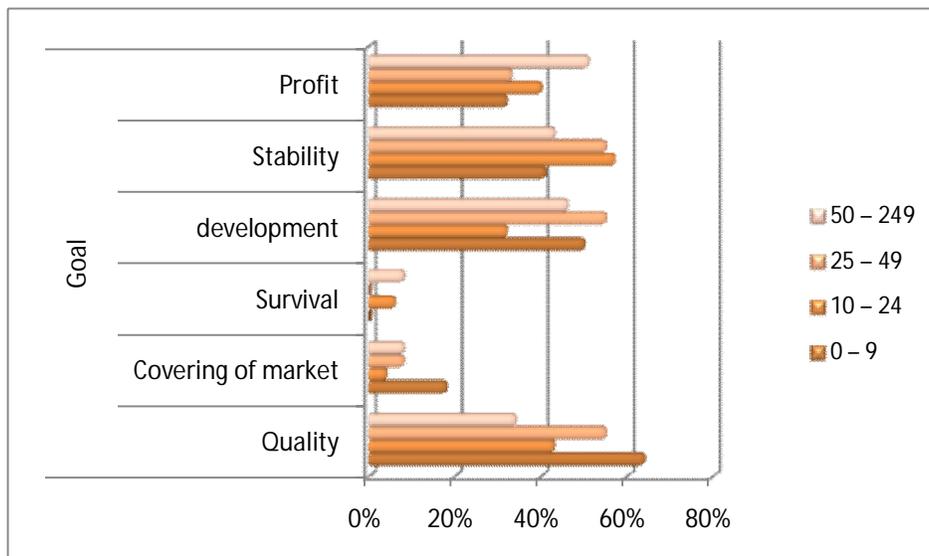
Following characteristics can be seen from these results. Concerning micro companies the goals are concentrated on quality (64 percent), further development (50), and stability (41), on the contrary, no company follows the goal Survival. The small companies to 24 employees follow the goal Stability in 57 percent cases. In the small companies with more than 25 employees the main goals were Quality, Development and Stability (55 percent). These companies (the same as micro companies) do not follow the goal Survival, in comparison with the small companies to 24 employees, that follow this goal, but only in 4 percent. The medium sized companies follow in a dominant way the goal Profit (55 percent), the second most often followed category is Development (46) 43 percent medium sized companies follow the goal Stability and 34 percent the goal Quality. Minimum medium sized companies follow the goal Survival and Covering the market.

**Table 4: Numerousness of the studying goals of searched MSP according to the number of employees**

Number of employees	Number of the comp.	Goal					
		Quality	Covering of market	Survival	development	Stability	Profit
0 – 9	20	64%	18%	0%	50%	41%	32%
10 – 24	69	43%	4%	6%	32%	57%	40%
25 – 49	35	55%	8%	0%	55%	55%	33%
50 – 249	60	34%	8%	8%	46%	43%	51%

Source: Own survey

**Graph 3: Numerousness of the studying goals searching MSP according to the employees.**



Source: Own survey

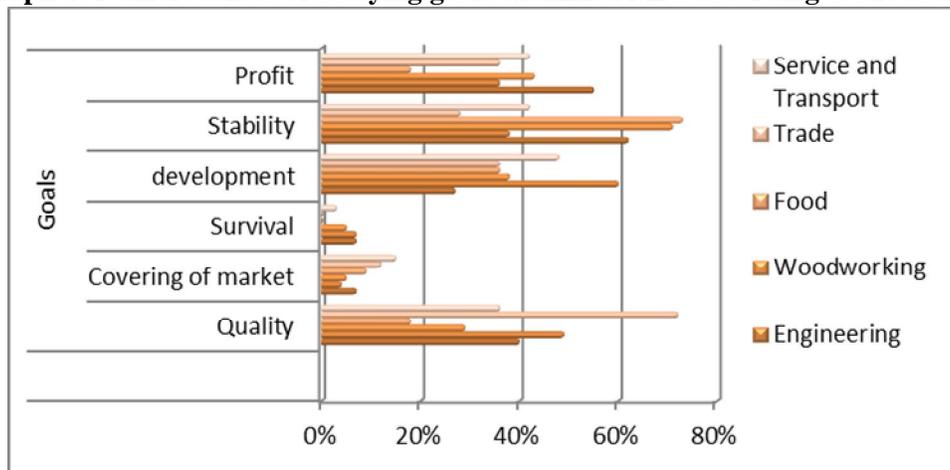
Table 5 and graph 4 show numerousness concerning diversity according to the activity of the studying small and medium sized companies. 6 categories of goals were analyzed here. Category Quality is dominant in the business companies /72 percent/. Also less than 50 percent companies follow this goal in engineering production, on the contrary, food companies follow this goal minimum /18/, this group follows mainly category Stability in 73 percent cases. Companies in construction and wood working ones follow the goal very strongly. Business companies follow this goal very rarely. Following the goal in the category of Covering the market was minimum in all studying activities of research of small and medium sized companies. Companies working in services including transport follow this goal in 15 percent and companies in engineering production follow this goal least of all in 4 percent. The goal Survival is minimum followed, food companies and business companies do not follow this goal at all. The rest of the companies only in 5 -7 percent. In total 60 percent small and medium sized companies in engineering production follow the goal Development, 48 percent in services including transport and 38 percent wood working companies. Construction companies follow this goal minimum /27/. The goal Profit is strongly dominant for no category of the companies. This goal is followed by 55 percent construction companies, 43 percent wood working companies, 42 percent companies in services. Food companies follow this goal only in 18 percent.

**Table 5: Numerousness of the goals examined MPS according to the activities**

Activity	Number of companies	Goals					
		Quality	Covering of market	Survival	development	Stability	Profit
Construction	50	40%	7%	7%	27%	62%	55%
Engineering	57	49%	4%	7%	60%	38%	36%
Woodworking	22	29%	5%	5%	38%	71%	43%
Food	11	18%	9%	0%	36%	73%	18%
Trade	21	72%	12%	0%	36%	28%	36%
Service and Transport	23	36%	15%	3%	48%	42%	42%

Source: Own survey

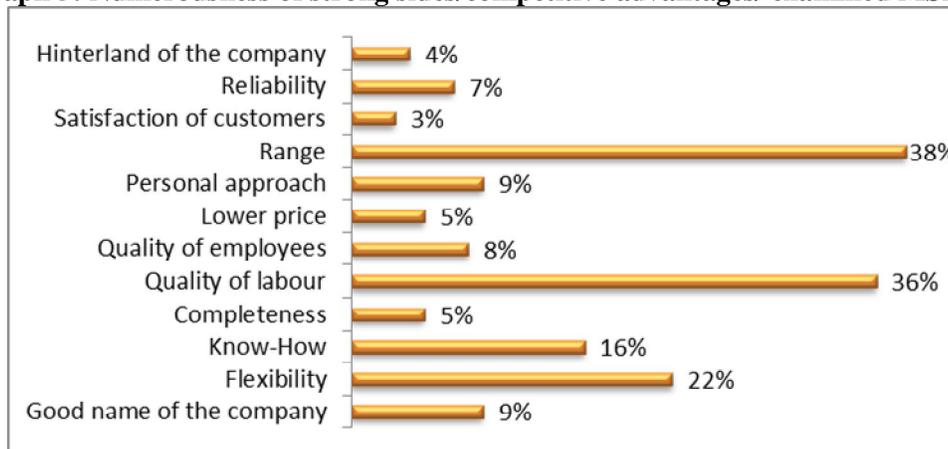
**Graph 4: Numerousness of studying goals examined MPS according to the activity**



Source: Own survey

As it was mentioned above, the goal of the company should set off the basic mission of the company with the respect to the weak and strong side. These matters were also analyzed in the examined small and medium sized companies and are presented in the graphs 10 and 11. It can be seen that the companies consider very strong sides resp. Competitive advantage Range (38 percent), and Quality of labor (36). 22 percent companies consider very strong page Flexibility and 16 percent Numerousness Know-how. The remained strong pages that were presented by the small and medium sized companies were not more than 10 percent. There were for example personal approach, good name of the company, quality of employees, reliability etc.

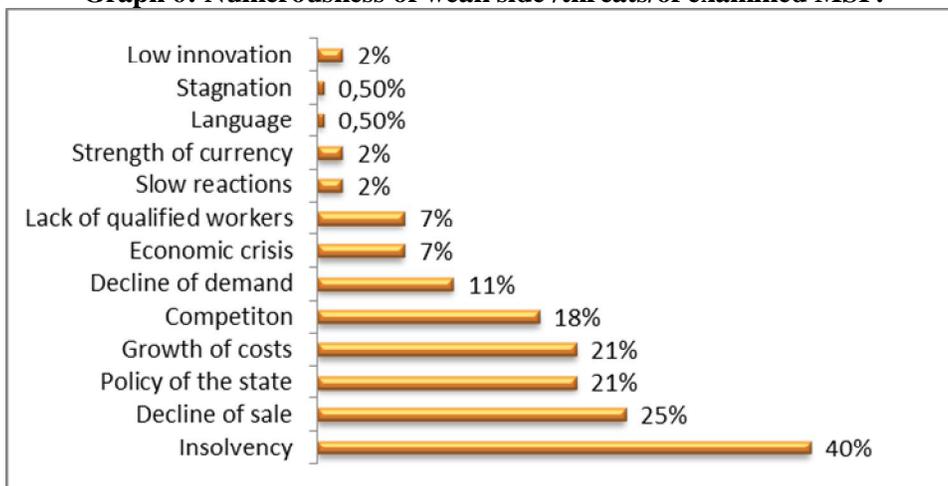
**Graph 5: Numerousness of strong sides/competitive advantages/ examined MSP.**



Source: Own survey

Most often presented weak side resp. threat was insolvency of the customer-40 per cent examined small and medium sized companies. In total 25 percent companies presented decline of sale, less than policy of the state, growth of costs, and 18 percent companies presented competition. About 10 percent companies presented decline of demand, lack of qualified workers, economic crisis, but also low innovation or poor knowledge of languages of employees.

**Graph 6: Numerousness of weak side /threats/of examined MSP.**



Source: Own survey

#### 4. Conclusion

In the case, the company has determined goal, it is aimed mainly at stability, further at quality, development and profit. Small companies follow more quality and development, but medium sized companies follow mainly development and profit. Examined small and medium sized companies consider their strong pages mainly range and quality of labor and on the contrary as threat insolvency.

#### 5. Literatura

- Dedouchová, M., 2001. *Strategie podniku*. 1. vyd. Praha: C.H. Beck, 256 s. ISBN 80-7179-603-4.
- Keřkovský, M. a O. Vykypěl, 2006. *Strategické řízení: teorie pro praxi*. 2. vyd. Praha: H. Beck, 206 s. ISBN 80-7179-453-8.
- Kotler, P. a K. L. Keller, 2012. *Marketing management*. 14 vyd. New Jersey: Prentice Hall, 816 s. ISBN 978-0-13-210292-6.
- Řehoř, P., 2007. Analzsis of the labour market due to the achieved level of entrepreneurial activities in the regions of the Czech Republic. Conference: **5th Scientific International Conference on Hradec Economical Days 2007**, Location: **Hradec Kralove, CZECH REPUBLIC** Date: **FEB 06-07, 2007**. Pages: **248-253**. ISBN 978-80-7041-824-6.
- Sedláčková, H. a K. Buchta, 2006. *Strategická analýza*. Praha: C. H. Beck, 121 s. ISBN 8071793671.
- Srpová, J. a V. Řehoř, 2010. *Základy podnikání : teoretické poznatky, příklady a zkušenosti českých podnikatelů*. 1. vyd. Praha: Grada, 427 s. ISBN 978-80-247-3339-5
- Kolektív autorov: 2012. *Manažment malých a stredných podnikov*. 1.vyd. Nitra: Gramond, 331 s. ISBN 978-80-89148-85-1