

**Ministry of Education  
Republic of Azerbaijan**

**The Business strategy in SME's**

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## **ABSTRACT**

Small business is a set of small and medium-sized enterprises limited by certain legal norms. Together with large entrepreneurial structures, as well as with the public sector, small businesses constitute a single whole. While not exaggerating the importance of small business, we must also note that its role in the development of the economy, in meeting the needs of the population is quite high, especially in the current market economy. Relevance of the topic. Small business, reacting quickly to changes in the market conditions, gives the market economy the necessary flexibility. Small businesses are rapidly implementing changes in the range and range of products. A significant contribution is made by small business in the formation of a competitive environment, which is of paramount importance for the economy.

Key words:SME, business strategy, LLC "Grant Tour"

## **INTRODUCTION**

Small business is a set of small and medium-sized enterprises limited by certain legal norms. Together with large entrepreneurial structures, as well as with the public sector, small businesses constitute a single whole. While not exaggerating the importance of small business, we must also note that its role in the development of the economy, in meeting the needs of the population is quite high, especially in the current market economy.

World practice convincingly shows that even in countries with developed market economies, small and medium-sized businesses have a significant impact on the development of the economy, solving social problems, increasing the number of employed workers. In terms of the number of employees, the volume of goods produced and sold, the work performed and the services provided, small and medium-sized businesses in individual countries play a leading role. (Bamberger,1994)

For the economy as a whole, the activities of small companies are an important factor in increasing its flexibility. According to the level of development of small business, experts even judge the ability of the country to adapt to the changing economic situation. Despite the difficulties and setbacks, small business is developing, gaining pace of growth, solving economic, social, scientific and technical problems.

As a rule, the development of small and medium-sized businesses is a prerequisite for solving the following problems: the formation of competitive, civilized market relations that promote better satisfaction of the needs of the population and society; as well as expanding the range and improving the quality of goods, works and services. In an effort to meet the needs of consumers, small businesses contribute to improving the quality of goods, works, services and a culture of service; approximation of the production of goods and services

to specific consumers; and also contributes to the structural reorganization of the economy. Small and medium-sized business, as an important part of the country's economy, is now in the process of its formation and needs support and stimulation of its activities on the part of the state.

This topic remains, is relevant and still. It was studied by many authors, such as: Shulyatieva NA, Bruneva I., Afanasyev V. and others. For writing this work, magazines, newspapers, articles and textbooks were used.

The basis for the success of small business development is strong state support. To solve a wide range of small business problems, it is necessary to develop an integrated state program for small business development. It should cover all aspects of the formation and development of small business.

The development of scientific hypotheses about the place and role of business in the life of society begins with ancient times. The history of the real economic and social phenomenon, it is customary to count down from the end of the Middle Ages, when the first joint-stock commercial and financial companies appeared.

Small business, in particular, has been known in Azerbaijan for a long time. In the beginning, it manifested itself in trade form, in the form of trades. The extensive development of business falls on the years of the reign of Peter I (1689-1725) and in the post-reform period - in the 60s - 70s of the XIX century, and at the beginning of the 20th century. in Azerbaijan it becomes a mass phenomenon.

Relevance of the topic. Small business, reacting quickly to changes in the market conditions, gives the market economy the necessary flexibility. Small businesses are rapidly implementing changes in the range and range of products. A significant contribution is made by

small business in the formation of a competitive environment, which is of paramount importance for the economy.

Objective: to identify the features of strategic development of small business

The objectives of the course work are as follows:

Analysis and study of economic literature on the development of small business;

Identify the main factors of the external environment that have an impact on small business;

To study the features of the socio-economic development of the Republic.

Identify features of strategic enterprise planning

This work consists of an introduction, three chapters, a conclusion and a list of references, an appendix.

# CONTENTS

ABSTRACT.....	1
INTRODUCTION.....	3
CHAPTER I. SMALL BUSINESS AS A FACTOR OF SOCIAL AND ECONOMIC DEVELOPMENT.....	7
1.1. The concept of small business.....	7
1.2. Analysis of the development of small business in the Azerbaijan and in the Republic of Azerbaijan.....	12
1.3.Theoretical Aspects of the Growth Strategy of Firms .....	24
CHAPTER II. ANALYSIS OF THE ACTIVITIES OF THE TOURIST COMPANY LLC "GRANT TOUR" .....	30
2.1 History of the creation and development of the organization.....	30
2.2 Analysis of external and internal environment of LLC "Grant-tour" .....	31
2.3 Features of the growth strategy of small and medium-sized firms...	35
CHAPTER III. ACTIVITIES TO DEVELOP AN EFFECTIVE TRAVEL COMPANY STRATEGY AND EVALUATE THEIR EFFECTIVENESS.....	39
3.1 Development of a project of measures to create competitive advantages of LLC "Grant-Tour" in order to improve its strategy in the tourism market .....	39
3.2. Strategies for the development of small and medium-sized businesses in the Sakhalin.....	42
CONCLUSION .....	52
BIBLIOGRAPHY .....	55

# **CHAPTER I. SMALL BUSINESS AS A FACTOR OF SOCIAL AND ECONOMIC DEVELOPMENT**

## **1.1. The concept of small business**

World practice convincingly shows that even in countries with a developed market economy, small business has a significant impact on the development of the national economy, the solution of social problems, the increase in the number of employed workers. In terms of the number of employees, in terms of the volume of goods produced and sold, the work performed and services provided, small business entities in some countries take a leading role.

The Federal Law of the Azerbaijan "On State Support of Small Business in the Azerbaijan" states that this law is aimed at the realization of the citizens' right to freely use their abilities and property established by the Constitution of the Azerbaijan for the implementation of entrepreneurial and other economic activities not prohibited by law. This provision establishes the economic and social role of small business. (Berry, 1990: 29)

"Small business" is an entrepreneurial activity carried out by the subjects of a market economy under certain criteria (indicators) defined by laws, state bodies or other representative bodies constituting the essence of this concept.

As the world and domestic practice shows, the main criterion indicator, on the basis of which enterprises (organizations) of various organizational and legal forms relate to small business entities, is primarily the average number of employees employed for the reporting period at the enterprise (organization). In a number of scientific papers, small business is understood as an activity carried out by a relatively small group of persons or an enterprise managed by a single owner. As a

rule, the most common criterion indicators on the basis of which the subjects of economic activity are related to small business entities is the number of employees (employed workers), the size of the authorized capital, the size of assets, the volume of turnover (profit, income).

According to the World Bank, the total number of indicators for which enterprises are classified as small businesses is more than 50. However, the most commonly used criteria are the following: (MacGregor, 1999 : 139)

- average number of employees employed at the enterprise;
- annual turnover received by the enterprise for the year;
- amount of assets.

However, in all developed countries, the first criterion for classifying enterprises as small businesses is the number of employees.

The Law of the Azerbaijan of June 14, 1995 No. 88-FZ "On State Support of Small Business in the Azerbaijan" (hereinafter - the Small Business Law) establishes the following criteria for classifying an enterprise as a small enterprise. A small enterprise is a commercial organization.

The share of participation of the Azerbaijan, constituent entities of the Azerbaijan, public and religious organizations (associations) of charitable and other funds in the authorized capital does not exceed 25%.

Small and medium business is one of the leading sectors, which largely determines the rates of economic growth, employment status of the population, the structure and quality of the gross domestic product. The development of small and medium-sized businesses responds to global trends in the formation of a flexible mixed economy, a combination of different forms of ownership and an adequate model of the economy, in which a complex synthesis of a competitive market mechanism and state regulation of large, medium and small-scale



production is realized. And if a large business is a skeleton, the axis of the modern economy, then the whole diversity of small and medium-sized businesses is the muscles, the living fabric of the economic organism.

As it is clear from the definition itself, small business is an entrepreneurial activity carried out by the subjects of a market economy under certain criteria that are established by laws, state bodies or other representative organizations, constituting the essence of this concept.

In the Russian economy, large, medium and small enterprises operate concurrently, and activities based on personal and family work are carried out.

The scale of enterprises depends on the specifics of industries and their technological characteristics. There are industries associated with high capital intensity and significant volumes of production, and industries for which large enterprises are not required, but on the contrary, preference is given to small and medium-sized enterprises( Aguilar, 1997)

As the world practice shows, the main criterion indicator, on the basis of which enterprises of different organizational and legal forms are related to small and medium-sized businesses, is primarily the average number of employees employed during the reporting period at the enterprise. In a number of scientific papers, small and medium-sized businesses are activities carried out by a small group of people or an enterprise managed by a single owner. As a rule, the most common criteria on the basis of which enterprises are related to small or medium business is: the number of employees; the amount of the authorized capital; the amount of assets; volume of turnover (profit, income).

The share of participation in the authorized capital belonging to one or several legal entities that are not subjects of small business does not exceed 25%.

According to the World Bank, the total number of indicators for which enterprises belong to small businesses (business) exceeds 50. However, the most commonly used criteria are those described above. Practically in all countries the determining criterion is the number of employees for the reporting period.

In determining the support measures for small businesses at the level of the EU countries, other indicators can be applied, and the EU countries can also use their indicators when classifying enterprises as small. So the international Organization for Economic Cooperation and Development (OECD), which includes economically highly developed countries, defines enterprises with a number of employed up to 19 as “very small”, up to 99 people as "small", from 100 to 499 as “medium”. (Bamberger, 1994)

Small enterprises play an important role in the economy of all countries of the world. In the last few years (2000 - 2006) in Western Europe, in the US and Japan, small businesses are represented by a multitude of small and medium-sized enterprises. The bulk of them - the smallest enterprises with a number of employees no more than 20 people. Small businesses account for 2/3 of the increase in new jobs, which has significantly reduced unemployment in these countries.

Small businesses are effective not only in the consumer sector, but also as producers of individual components and small mechanisms, semi-finished products and other elements necessary for the production of final products, the output of which is not profitable for large enterprises. All this justifies the need for an integrated approach to determining the place and role of small enterprises in the economy. In

small and medium-sized businesses, there are large reserves that can be effectively used in Russia. (Bamberger, 1994)

Small and medium-sized firms look for specialized niches, where they act as subcontractors of concerns in large-scale production. In Western Europe, about half of the manufacturing output is produced in small and medium-sized enterprises. Not being monopolistic, they direct all their efforts to adaptation to the internal conditions of production and marketing. Transnational corporations give them the opportunity to test the production of new products first, then to pass on to mass production themselves. The place of ruining small firms occupy new ones. their reproduction takes place.

Recently, an unprecedented growth of small and medium-sized businesses has emerged, especially in areas where large capital, large amounts of equipment and a large number of workers are not yet required. This is typical especially for science-intensive industries, as well as industries related to the production of consumer goods.

The possibility of the effective functioning of small or medium-sized business (business) is determined by a number of its advantages in comparison with the large: proximity to local markets and adaptation to the needs of the clientele; production in small batches, which is unprofitable for large firms; exclusion of unnecessary links of management, etc. The development of small production is facilitated by differentiation and individualization of demand in the sphere of production and personal consumption.

The average number of employees for the reporting period does not exceed the following limit levels:

in industry - 100% of people;

in construction - 100 people;

on transport - 100 people;

in agriculture - 60 people;  
in the scientific and technical sphere - 60 people;  
in wholesale trade - 50 people;  
in retail trade and consumer services of the population - 30 people;

in the other branches, 50 people are engaged in other activities.

Small business entities are also understood to mean individuals engaged in entrepreneurial activities without the formation of a legal entity.

Small enterprises that carry out several types of activities (many profile ones) refer to those according to the criteria of the activity, the share of which is the largest in the annual volume of profit.

The small business entity is registered, and receives the corresponding status in the executive bodies authorized by the current legislation, from the moment of submission of the application of the sample established by the Government of the Azerbaijan.

## **1.2. Analysis of the development of small business in the Azerbaijan and in the Republic of Azerbaijan**

Entrepreneurship in Azerbaijan was born in Kievan Rus - in trade form and in the form of trades. The first entrepreneurs can be considered small traders and merchants. The greatest development of entrepreneurship belongs to the years of the reign of Peter I (1689-1725).

Considering the legislative documents regulating the activity of small enterprises in the country in chronological order, the following main stages of small business development can be singled out.

Legislation on small business should regulate the general issues of the activities of small businesses regardless of their organizational and legal form. This includes the criteria of small and medium-sized enterprises, the issues of state support for small businesses, taxation and some others. (Lobontiu,, 2001)

In accordance with the Federal Law "On State Support of Small Business in the Azerbaijann Federation," small business entities include commercial organizations in which the average number of employees for the reporting period does not exceed the following limit levels: in industry, construction and transport - 100 people, in rural economy, scientific and technical sphere - 60, in wholesale trade - 50, in retail trade and household services - 30; in other industries and in the implementation of other activities - 50 people.

Small business entities are also understood to mean individuals engaged in entrepreneurial activities without the formation of a legal entity.

The content of constituent documents of small enterprises revealed a number of their features. In 80-90 cases out of 100, a small enterprise is established, based on private or mixed (private and state) ownership.

In early 1990, small businesses were formed more often by separation from state-owned enterprises. In 1991, small businesses were created, as a rule, in the form of limited partnerships. During the first half of 1991, many collectives were reorganized into small enterprises based on private equity ownership. Less common are small businesses of the family type. In many respects this can be explained by the complexity and high cost of renting non-residential premises.

Often local authorities act as founders of small enterprises (sometimes together with other enterprises). Their contribution as

founders is, as a rule, in the provision of non-residential premises on a lease basis.

At present, the development of the small business network is included as one of the most important in the program of demonopolization of the country's national economy. Here it is provided as compulsory; and the initiative disaggregation of monopoly industries: (Lobontiu,2001)

- allocation of independent production and economic blocks;
- allocation of small and medium-sized collectives from large enterprises;
- the creation of small subsidiaries on the initiative of large enterprises.

In Azerbaijan and its regions, small business has not yet received a sufficiently high level of development. As a result, large natural and economic potential is not being used to produce goods and services, to provide employment and raise the standard of living of the population.

In the Republic of Azerbaijan over the past ten years, the President and the Cabinet of Ministers have taken measures aimed at ensuring the development of small business. Work was carried out to support the development of individual entrepreneurship, small business and peasant farms in the republic. Much attention was paid to the increase in the number of small enterprises, production volumes and the number of workers in the branches that process agricultural raw materials, in housing and communal services, and in consumer services. At the present stage of the transition of the domestic economy to market relations, the development of small business in the regions, cities and the Republic of Azerbaijan as a whole acquires ever greater economic, social and political significance.

Among the priority tasks that small businesses are called upon to solve are:

- meeting the needs of the population and the economy in the saturation of the market with goods and services;
- creation of an economic environment conducive to the formation of market relations and competition;
- solving the problem of employment and self-employment;
- promoting economic growth;
- activation of innovation activity due to the high level of innovations in small enterprises;
- assistance in the formation of the middle class.

Appearance in the late 80's - early 90's. The 20th century and the gradual development of the private sector of the economy in Azerbaijan led to the emergence of many small businesses in such sectors as trade, public catering, the provision of services for the repair of consumer goods, maintenance of market infrastructure, financial and credit sphere. This trend was explained by the existence of a large demand for the above-mentioned spheres of economic activity by potential consumers and by the "unoccupiedness" of these spheres because of the heavy fuel and raw materials orientation in the development of the republic's economy during the Soviet period.

At the same time, a considerable number of small enterprises were formed in the industrial and construction spheres. In these areas, small businesses have been "occupied" with market niches such as the production and sale of household appliances, office equipment, sewing garments, the production of woodworking products, building materials, the construction of houses, cottages and offices. Small business began to earn and invest its capital mainly in the industry, whose products were

sold in the consumer market, since there was initially an unmet demand of the population and organizations.

Thus, small business in the Republic of Azerbaijan in the early 90's. somewhat balanced the heavier economy of the republic, taking market niches, aimed at meeting the daily and urgent needs in providing various services, providing consumer goods, food.

The development of small business is one of the main factors of sustainable social and economic development of the republic, contributes to the employment of the population, the rapid saturation of the market with high-quality goods and services, increased tax revenues, and the formation of the middle class. (Kirby, 1990)

In 2007, the number of small businesses increased by 10.9% and amounted, according to estimates, to 113.8 thousand units. The growth in the number of business entities is mainly due to an increase in the number of entrepreneurs without the formation of a legal entity, whose number in 2007 grew by 11.1% to 86.2 thousand. The number of small enterprises in 2007 increased by 13.8% and reached 23.3 thousand units. According to this indicator, the republic ranks 4th among the subjects of the Volga Federal District.

The growth in the number of small businesses is accompanied by an increase in the number of employed in this sector of the economy. In 2007 this figure was 325,8 thousand people, having increased in comparison with the previous year by more than 2,2 thousand people. In small business, more than 20% of the country's labor resources are employed. By the number of employees in small enterprises, Azerbaijan ranks first among the subjects of the Volga Federal District.

Small enterprises provide more than 12% of the republican volume of shipped goods. In 2007, small enterprises provided all the output of matches, steel mesh, porous fillers, more than 90% of the



republican production of metal-plastic windows and doors, about 40% of garments, paints and furniture.

An important role in increasing the productive potential of small enterprises is played by investments. In 2007, the volume of investments in fixed assets amounted to 6.3 million rubles, exceeding the level of the previous year by 1.7 million rubles.

The banking sector is becoming more active in lending to small businesses. More than 30 credit organizations are engaged in lending to small businesses on the territory of the Republic. In 2007, the total volume of loans extended to small businesses, according to the National Bank of the Republic of Azerbaijan, amounted to 69.4 billion rubles, an increase of 26.9% compared to 2006. (Kirby,1990)

In general, the current trends suggest that small business is becoming an increasingly important sector in the economy, which is a consequence of a fairly successful resolution of the issues on creating favorable conditions for its development in the territory of the Republic of Azerbaijan.

In the initial stage and the development of small business in Azerbaijan, their rapid growth was observed.

In the sectoral context in the early 90's. The fastest growing number of small businesses operating in the field of trade and public catering, in the production of consumer goods, in construction.

Priority for the Republic of Azerbaijan is, first of all, life support for the population of towns and villages; creation of a material base of consumption of the population; rendering of household services; catering; tourism and recreational activities; construction and repair of housing stock; improvement of cities, villages and waste treatment; nature protection activity; education and health; transport; the science; information service. (Kets de Vries and Miller, 1994)

Small enterprises are involved in all types of economic activity, the greatest development was given to enterprises of such activities as "Wholesale and retail trade" (it employs about half of all small enterprises of the republic), "Construction" (16.3%), "Real estate transactions property, rent and provision of services "(12.4%) and" Manufacturing industries "(12%). Every year the volume of products (works, services) produced by small enterprises increases, which in 2005 amounted to about 27 billion rubles, exceeding the level of the same period of 2004 by 18% in current prices.

In the total volume of tax revenues to the budget of the Republic of Azerbaijan, small enterprises occupy more than 10%. Small business over the past five years has consistently provided a tenth of the republic's tax revenues. The profit per employed person at small enterprises of the Republic of Azerbaijan is 3.6% higher than in Russia; At the same time, the share of unprofitable enterprises in the republic is higher by 11 percentage points. The profitability of assets of small enterprises in Azerbaijan is 2 times higher than in the Russian Federation; on profitability of production small enterprises of the republic also outstrip small enterprises of Russia.

In the Republic of Azerbaijan, conditions have been created for investing own funds received as a result of tax breaks granted to the fixed capital of small business objects.

Since 1996 and until 2000, there has been a slowdown in the growth rate of small enterprises in the republic.

In the future, two most likely variants of development of small business in the republic are predicted. (Julien, 1998)

In the first variant, the shift of the center of gravity of small businesses to the faster development of construction and industrial firms should be expected. However, at the same time, trade and procurement

activities and work on servicing markets still remain dominant. The spheres of trade, catering, logistics and marketing in the structure of small business will even increase their positions somewhat.

In the second variant, the factor of concentration of production and capital will come first in determining the basic trends, which will give a strong impetus to accelerating the development of small enterprises in the spheres of industry, innovation, and production services. We should expect an increase in the number of small enterprises in agriculture, processing industries, in services, transport, construction, communications, science and innovative services. At the same time, the share of small enterprises in the spheres of trade and trade services will remain at the same level or increase insignificantly.

Relatively weak side of economic reform in the Republic of Azerbaijan in the early 90's. was the predominant support of the state of large enterprises. This was also reflected in the lack of practice of unbundling, liquidation, sale and conservation of large enterprises-bankrupt. On the other hand, tough financial and tax conditions for the existence of small enterprises were created in the republic.

Further development of small business in the Republic of Azerbaijan will be determined not only by macroeconomic changes in the economy, but also by the economic policy of the government of the republic.

And above all, in this document, the scope of the work to be implemented and the integrity of the development deserves attention. And the above statistics, as well as a description of the measures taken by the government aimed at the development of small and medium-sized businesses, not only reflect the weaknesses of work in this direction, but also recognize the mistakes made in this direction. And this only

emphasizes the determination and the spirit of the government in this matter. (Harari, 1994 :52)

For example, according to official statistics, as of early July 2016, there were more than 83,000 small enterprises in Azerbaijan, accounting for 79.7% of all private economic entities. However, despite such an impressive number, the aggregate share of small and medium-sized businesses in the country's GDP is only 5.8%, and in the statistics of income - 0.7%.

And this despite the fact that small enterprises are delaying 6.5% of the average annual indicator of the employed part of the population and managed to invest 9.2% of the total volume of investments in fixed assets into their business. That is, taking into account the solid investment component and the share of small business in the labor market of the country, it becomes obvious that labor productivity in this sphere is very low.

And perhaps this is due to the anomalous structure of the interests of these enterprises, because again according to the statistics given in the Road Map, 37% of all small enterprises of the country are engaged in trade, 12.1% in construction and 10.7% in agriculture. And this despite the fact that in regions, that is, in areas with traditionally high interest in the agrarian sector, more than 40% of the country's population lives, and the potential for the creation of small enterprises also means much higher. In addition, the share of information technology in the industry structure of such enterprises is so small that it closely resembles not the statistics itself, but the error.

In general, the sectoral focus of SMEs is the topic of a separate conversation, since, depending on the level of the country's development, the sphere of interests of small firms and companies is also changing.

Thus, in developing countries, small and medium-sized businesses include a fairly wide range of enterprises, which differ in their dynamism, technical coverage, and attitudes to risk management. Many of them are relatively stable in using the technology, entering the domestic and foreign markets, filling important niches in the service sector. Others can be dynamic, but have a high degree of risk. That is, one-sided approach to this issue is also not worth it.

But in countries with a high level of income per capita, the small and medium-sized business sector really forms the basis of the economy.

According to the Report on Support to SMEs in the Developing Countries Through Financial Intermediaries, more than 95% of enterprises in the zone of the Organization for Economic Cooperation and Development (OECD) are SMEs prepared by the international consulting firm Dalberg Global Development Advisors. These enterprises account for almost 60% of employment in the private sector. They make a great contribution to stimulating innovative development, support regional development and make a significant contribution to the maintenance of social stability. According to the OECD, in low-income countries per capita, the share of SMEs in GDP is negligible.

By the way, the analysis of foreign public and private research structures in this area is also provided in the Roadmap, which, with reference to the official website of the European Commission, shows a chart reflecting a number of indicators for small and medium-sized businesses. Regardless of whether they are low-, middle- or high-income countries per capita, the share of small and medium-sized businesses in the total value added is 63-67%.

As for the employment sector, its indicators are presented in the regional context and it turns out that the majority of people - 78% in small and medium-sized businesses work in South Asia, and least (57%)

in the Middle East and North Africa. However, as it follows from these figures, regardless of the region, the figures given in the diagram are several times higher than the Azerbaijani index, which forms the objectivity of the research and, at any rate, that part of it (Section 2, Global Trends), where it is recognized that our country needs to implement a lot of reforms in this area before we even reach the pan-European level, where 58 euro cents of each euro received as profit falls to SMEs. (Hammers, 1997: 21)

It should be noted that it is possible to compare the Azerbaijani indicators in this area with the data of the leading countries of the world, it is not entirely correct, but of course it is necessary to orientate and place them as priority tasks. And this comparison is incorrect with the different history of SME development in Azerbaijan and in foreign countries.

For example, today in the US more than 20 million SMEs are registered, which provide jobs for more than half of the country's able-bodied population. According to the calculations of American scientists, every third American family is engaged in business, and some American business textbooks claim that up to 20% of small firms in the US start with \$ 1,000-5,000, and more than half of them in less than 2-3 years increase their annual income to \$ 1 million. However, the principles of SME support in the US were formed back in the mid-fifties of the last century since the creation of the Administration for Small Businesses (AMB), which protects the interests of small and medium-sized businesses at the governmental level and has representative offices of all the major cities of the country, which allows you to distribute the policy to all staff, not just the main economic centers in the US. (Hambrick, 1993: 687)

The state strategy for the development of this business there is defined by the Small Business Act, which states that a country's economy based on private entrepreneurship and free competition can not develop without developed SMEs that need the continued support of the state provided by the following directions: access to financial resources, placing at least 23% of the state order in the sector, providing financial, as well as consulting, technical and organizational assistance to SMEs. At the same time, the assistance provided by the SME state is very diverse: from technological modernization of production, assistance in the implementation of scientific and technical developments to protecting the interests of small and medium-sized businesses at all levels of government.

If we are talking about Europe, the long-term development experience in European countries has shown that the effectiveness of the entire economy of the European Union directly depends on the successful operation of small and medium-sized businesses. A unique system of regulation and support for SMEs in this region began to evolve in the 1970s and continues to be formed to this day through the introduction of various programs and the creation of support funds. To date, the main areas of the EU policy regarding the development of small enterprises are: financial support, simplification of the regulatory framework, administrative procedures, participation of associations representing the interests of SMEs in decision-making within the framework of EU activities, assistance in research, innovation and training; elimination of violations in the functioning of the “single market” and competition, increasing competitiveness, including in order to enter foreign markets and cultivate among the population the spirit of entrepreneurship.

In Azerbaijan, the situation is fundamentally different from the US and the EU, if only because, as noted in the Strategic Roadmap itself, Decree N215 of the Cabinet of Ministers of Azerbaijan that defined the criteria for small, medium and large entrepreneurs was adopted only on June 5, 2015, that is, tens of thousands of similar companies and companies already functioned in the country. (Gabele, 1994)

That is, in the normative plan, we have something to improve and refine. In any case, according to this document, a small enterprise is a structure in which up to 25 people work, and the annual turnover does not exceed 200,000 manat. (And by the way, this is exactly the same amount that was taken as a basis in the course of tax reforms in 2016, when small businesses with an annual turnover of no more than 200,000 manats pay tax on a simplified system).

Particular attention in the Strategic Roadmap for the production of consumer goods at the level of small and medium-sized enterprises deserves the table given in Section 3 under the title “Analysis of strengths and weaknesses of small and medium-sized enterprises”.

### **1.3.Theoretical Aspects of the Growth Strategy of Firms**

The development of the business activity of a firm (enterprise) is determined by the following circumstances: in which market does it operate, i.e. whether it is a market mastered or it is new for it, and with what goods or types of services it enters the market (goods that are new to this market or not). (Fuller, 1994:34)

As a rule, strategies are presented in the form of a matrix constructed depending on the goods and the market (Table 1).



**Table 1.**

**The matrix of basic strategies**

<b>Strategic Alternatives</b>					
<b>Key internal Factors</b>		<b>Market Development</b>		<b>Market penetration</b>	
<b>Internal Strengths</b>	<b>Weight</b>	<b>AS</b>	<b>TAS</b>	<b>AS</b>	<b>TAS</b>
Largest Oil marketing Company in Pakistan	0.15	2	0.30	3	0.45
Financial Position	0.10	3	0.30	3	0.30
Marketing and Advertisement	0.15	3	0.45	4	0.60
Information Systems	0.15	2	0.30	2	0.30
Retail department	0.05	3	0.15	4	0.20
Trainings and development	0.05	4	0.20	3	0.15
Employee Capital	0.05	2	0.10	3	0.15
<b>Internal Weaknesses</b>					
Operating Expenses	0.10	1	0.10	2	0.20
Low profit per share	0.05	-		-	
50% old design outlets	0.10	-		-	
Old staff unfamiliar to IT	0.05	1	0.05	2	0.10
	<b>1.00</b>				
<b>Key External Factors</b>					
<b>Opportunities</b>					
1.Globalization	0.05	2	0.10	3	0.15
3.Penetration	0.25	-		4	1.00
3.deregulation	0.10	2	0.20	2	0.20
5.Upstream/downstream Integration	0.15	3	0.45	4	0.60
<b>Threats</b>					
1.Strong Competitors in industry	0.20	3	0.60	2	0.40
2.Product substitution	0.10	3	0.30	2	0.20
3.Induction of New Players	0.05	3	0.15	1	0.05
4.Government Polices	0.10	1	0.10	1	0.10
	<b>1.00</b>				
<b>Total Sum of Attractiveness Score</b>			<b>3.85</b>		<b>4.7</b>

The field A1 is characterized by a strategy of deep penetration (“old” goods – the “old” market). This strategy is successful when the market is not yet saturated. The company can achieve a competitive advantage by reducing the costs of production and the prices of the services.

As for field A2, it is characterized by a strategy of expanding the market (“old” goods - the “new” market). When using this strategy, the firm tries to increase sales of its products (services) in new markets or on new segments of the existing market.

The strategy of product development (“new” goods “-“ old “market) is typical for positioning in field B1. This strategy is effective when creating new product modifications for existing markets.

Fields B2 is characterized by a diversification strategy ("new" product - "new" market). This strategy is used to eliminate the

dependence of the firm on the production of a particular product (service) or from some market. (Chan, 2001:56)

The basic growth strategies of the firm predetermine the main types of strategy of strategic business units, of which three main types can be distinguished: (Fuller,1994: 34)

1. The offensive strategy (attacking) is the strategy of conquering and expanding the market share;

2. Defense strategy - the strategy of retaining the existing market share;

3. Retreat strategy is a strategy to reduce the market share in order to increase profits as a result of gradual withdrawal from the market or liquidation of this business (Carson, 1995: 7)

The company's application of a particular type of strategy is determined by the position of the firm in the market, which is characterized by its market share (in percent). Depending on the market share, the following provisions of the firm and its strategy are distinguished:

1. The leader (40% of the market) feels confident, is the first to take the initiative in the field of prices for new products. In defense of the leader resorts to various actions: (Daft and Weick, 1994: 284)

· "Position defense" - the leader creates barriers (price, licensing) on the main directions of attacks of competitors;

• "flank defense" - the leader identifies the key zones, advanced fortified points for both active defense and counterattack;

• "Pre-emptive defense" - the leader organizes the advancing of the opponent using special signals that neutralize the attack, for example, disseminates information about the impending price reduction;

· "Counteroffensive" - after the offensive, the leader pauses, and then strikes the weak point of the competitor, for example, shows the

reliability of his goods and unreliable components of the competitor's products;

- "mobile defense" - the leader expands its impact due to the diversity of production, revealing the deep needs of customers;

- "Compressing defense" - the leader departs from weakened segments of the market while strengthening the most promising ones.

2. The applicant for leadership (market share - 30%) feels confident only if it attacks first. There are various variants of attacks:

- "Frontal attack" - conducted in many areas (new products and prices, advertising and sales), requires considerable resources;

- "Encirclement" - an attempt to attack all or a significant portion of the leader's market area;

- "Circumvention" - the transition to the production of fundamentally new products, the development of new markets or the implementation of a jump in technology;

- "Guerrilla attack" - small gusty attacks are not entirely correct methods for demoralizing an opponent.

3. The follower or slave (share in the market - 20%) - this role is to follow the leader at a considerable distance, saving forces and resources.

4. Newcomer, "entrenched" in the market niche (market share - 10%) - with this role beginners begin. It is a search for a market niche of quite satisfactory size and profitability.

Growth strategies can be implemented with the help of:

- Expanding the volume of sales of products in order to better use the potential of the market;

- Exit with new products to already mastered markets;

- Exit with already produced products to new, not yet mastered markets;

- Diversification;
- Acquisition of new enterprises;
- Exit from new products to new markets. (Burrell, 1992)

It should be noted that the least risky is the expansion of sales of goods already produced. Then comes out with new products to the old markets and exit with old products to new markets. The most risky is the output of new products to a new market.

The factors that form a solid basis for this segment include: the existence of a legislative base, significant changes in indicators that form in a global sense what is called competitiveness, the ease of starting a business, the regular expansion of the scope of the "e-government", the progress achieved in recent years in terms of doing business (the principle of a "single window", again, "e-government"), simplification of procedures in the field of foreign trade, the availability of appropriate infrastructure, erzhka development of small and medium-sized businesses, is relatively low compared to neighboring countries electricity prices. And there is nothing to add here, especially since the list of weaknesses in the document is given a far greater place.

The authors of the Roadmap include the following: the heterogeneity of the criteria for assessing state support for small and medium-sized businesses, the low level of public-private partnership and cooperation in this area, the weak link between business entities, regardless of the volume of their production, financing problems, the weak range offered by the financial market products and services, weak monitoring system of state support for SMEs, lack of the required number of highly specialized personnel low level of management and entrepreneurial abilities, lack of special standards for SMEs participation in public procurement, a limited number of specialized government institutions to support small and medium-sized businesses, the

complexity of the procedure for stopping business activities, a low level of knowledge of international trade, structures with research and innovation enterprises, etc.

And by the way, the very fact of significant risk dominance in the document and the indication of weaknesses, also speaks about the objectivity of the developers and greatly increases the chances for the successful implementation of this Roadmap.

## **CHAPTER II. ANALYSIS OF THE ACTIVITIES OF THE TOURIST COMPANY LLC “GRANT TOUR”**

### **2.1 History of the creation and development of the organization**

History of organization

Formed in 1997, the agency for corporate travel services LLC  
“Grant Tour.”

In 2002 it passed voluntary certification of tourist services, which  
further promoted the competitiveness of the services.

LLC “Grant-tour” works in the field of business tourism. Main  
types of activity: (Curtis, 1993)

- Execution of exit documents;
- Organization of tourist trips, business trips of specialists;
- Implementation of international tourist activities in the near and  
far abroad (Europe and South-East Asia);
- Organization of corporate events.

The mission of Grant Tour Ltd. is as follows: “Providing our  
customers with quality tourist services that meet the highest professional  
requirements.”

The main purpose of the tour company is to maintain its leading  
position in the tourist market of Ufa.

## **2.2 Analysis of external and internal environment of LLC “Grant-tour”**

Let us analyze the factors affecting the activities of LLC Grant Tour.

### 1. Political factors:

#### A. Laws and legal acts.

The state exercises its regulation of the tourist activity of the enterprise on the basis of laws and regulations:

- Federal Law "On the Basics of Tourist Activities in the Russian Federation"

- Federal Law "On the procedure for leaving the Russian Federation and entry into the Russian Federation"

- Law on Consumer Protection"

- On the implementation of certain provisions of the Federal Law "On the procedure for leaving the Russian Federation and entry into the Russian Federation"

- "On the registration of organizations in the Ministry of Foreign Affairs of the Russian Federation with a view to rendering them consular services"

- "On the registration of a witness to enter (return) to the Russian Federation"

- "On rendering assistance on insurance cases to Russian citizens staying on the territory of a foreign state", etc. (Curran, 1996 : 4510)

B. The influence of political events. The organization's activity is constantly influenced by political events and decisions made not only in the Russian Federation, but all over the world. Therefore, the management of the organization must monitor the situation in the world, the decisions and laws adopted.

Negative factors of a political nature for tourism:

Domestic political instability in the country or region;

- Absence of good-neighborly relations between states;
- Military conflicts.

## 2. Economic factors

A. Inflation. Inflation is a threat to the achievement of the organization's goals. Prices are rising even despite a significant slowdown in growth over several years. The main danger comes from the price of fuel for airlines. They are constantly growing (since April 2007, the cost of aviation kerosene in the world market has increased by 80-90% on average), passenger transportation has become more expensive, as a result of which airlines increase ticket prices because of what tour operators also have to raise prices for air tickets, which does not suit tourists. Also, the price of the company's services is influenced by the rental fee for the office, which, since 2006, increased by 25%, which led to an increase in prices.

Unemployment. There is a tendency to increase unemployment due to the economic crisis. This may not have the best effect on the company; a decrease in the income level of the population may lead to a decrease in the company's sales.

B. Income level. The decline in income will lead to a decrease in sales, and increase - to increase.

G. Exchange rate. Changes in exchange rates significantly affect the volume of tourist flows between countries with strong and weak currencies.

D. Financial crisis. The current situation in the country and around the world can negatively affect the activities of the organization. The financial crisis can lead to a decline in sales. In order to avoid this



and keep your clients of Grant Tour LLC, you should introduce a discount system for regular customers.

### 3. Social factors

A. Demographic factors. The greatest propensity to active forms of tourism is shown by people aged 20-40.

B. Tendencies in the way of life.

4. Technological factors associated with the progress in technology and technology have a significant impact on the development of tourism, open up opportunities for the production of new types of services, their marketing and improving customer service.

5. Natural-geographical factors (such as: relief, climate, natural resources, water resources, flora, fauna, etc.) are decisive when tourists choose a particular region to visit.

6. Cultural and historical factors. The richness of natural and cultural-historical resources, the opportunity and convenience of their use have a significant impact on the scale, pace and direction of tourism development.

### 7. Environmental factors

8. Seasonality is the property of tourist flows to concentrate in certain places for a short period of time.

### Competitors

The main competitors of LLC Grant Tour are the companies: Infinity Travel, Aero Club, STB Tours, Andrews Consulting Travel House.

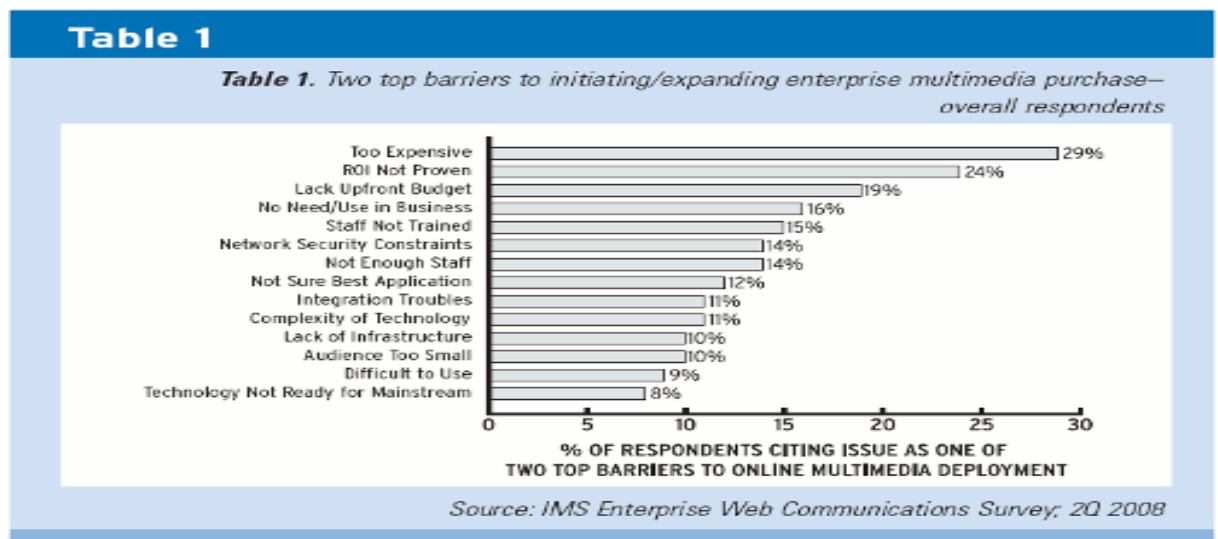
Partners LLC "Grant-tour" (suppliers of tourist services)

Since the main thing for Grant Tour Ltd. is the provision of high-quality tourist services to its customers, the company cooperates with reliable and well-known companies. The partners of the company are:

1. Airlines - Aeroflot, British Airways, Lufthansa, Air France, American Airlines and many others.
  2. Railway company - RZD and Deutsche Bahn.
  3. Cellular operator Megaphone.
  4. Insurance company "Renaissance Insurance"
  5. Hotel chains - Hilton, Rixos, Maxima Hotels, Marriott.
- Staff of the company

**Table 1.**

**Enterprise staff**



All employees of the travel agency, except for the courier, have higher education and experience in the tourism industry for at least 2 years. The travel agency often uses student interns as a work force with a minimum salary.

Marketing activity of the firm.

Advertising activities in the "Grant Tour" are staffed by the Marketing and Sales Departments.

LLC "Grant Tour" uses the following types of advertising: advertising on the Internet, billboards promotion of the trademark "Grant Tour" occurs through the press and broadcasting of Ufa.

The tasks of this advertising campaign:

1. Make occasional visitors by the customers of the firm
2. Remind people of the need for a comfortable, reliable rest.

## 2.3 Features of the growth strategy of small and medium-sized firms

The main feature of the development of small firms in market conditions is their flexibility, i.e. ability to quickly rebuild their production activities depending on the market situation. The main strategies of behavior of a small firm are presented in the matrix (Table 2).

**Table 2.**

### The main types of strategy of a small firm

Executives rely on vertical and horizontal linkages to create a structure that they hope will match the firm's needs. While no organizational structure is exactly right, four general types of structures are available to executives: simple, functional, multidivisional, and matrix.

<b>Simple Structure</b>	Simple structures do not rely on formal systems of division of labor, and organizational charts are not generally needed. If the firm is a sole proprietorship, one person performs all of the tasks that the organization needs to accomplish. Consequently, this structure is common for many small businesses.
<b>Functional Structure</b>	Within a functional structure, employees are divided into departments that each handles activities related to a functional area of the business, such as marketing, production, human resources, information technology, and customer service.
<b>Multidivisional Structure</b>	In this type of structure, employees are divided into departments based on product areas and/or geographic regions. Jim Pattison Group, for example, has nine product divisions: Food and Beverage, Media, Entertainment, Automotive and Agriculture, Periodical Distribution and Marketing, Signs, Packaging, Forest Products and Port Service, and Investments and Partnerships.
<b>Matrix Structure</b>	Firms that engage in projects of limited duration often use a matrix structure where employees can be put on different teams to maximize creativity and idea flow. As presented in the movie Office Space, this structure is common in high tech and engineering firms.

First of all, consider Field 1. The main strategy here is the copying strategy ("False mushroom"). The essence is that a small firm, using the results of research work of larger firms on original products, produces copies of these products at prices and quality, much inferior, as a rule, to the original.

Concerning Field 2, we can say the following. The strategy of the optimal size ("Wise minnow") is used. A small firm carries out its activities under the motto: "Do not stick your head out" beyond your market niche. This strategy, while ensuring the survival of a small firm, but serves as an obstacle to the expansion of the firm.

As for Field 3, the strategy of participation in the product of a large firm ("Stinging Bee") is used here. The use of this strategy is possible when the individual small element of the products of a larger firm is the final product for a given firm. In order to avoid dependence on a larger firm, a small firm should strive to limit the share of turnover per large customer, i.e. a small firm should strive to supply several large firms with goods in such a way that the share for each of them in the total sales of the firm does not exceed 20%. This allows small firms, like "stinging bees", to make larger ones react, and to force large firms to get rid of unproductive units.

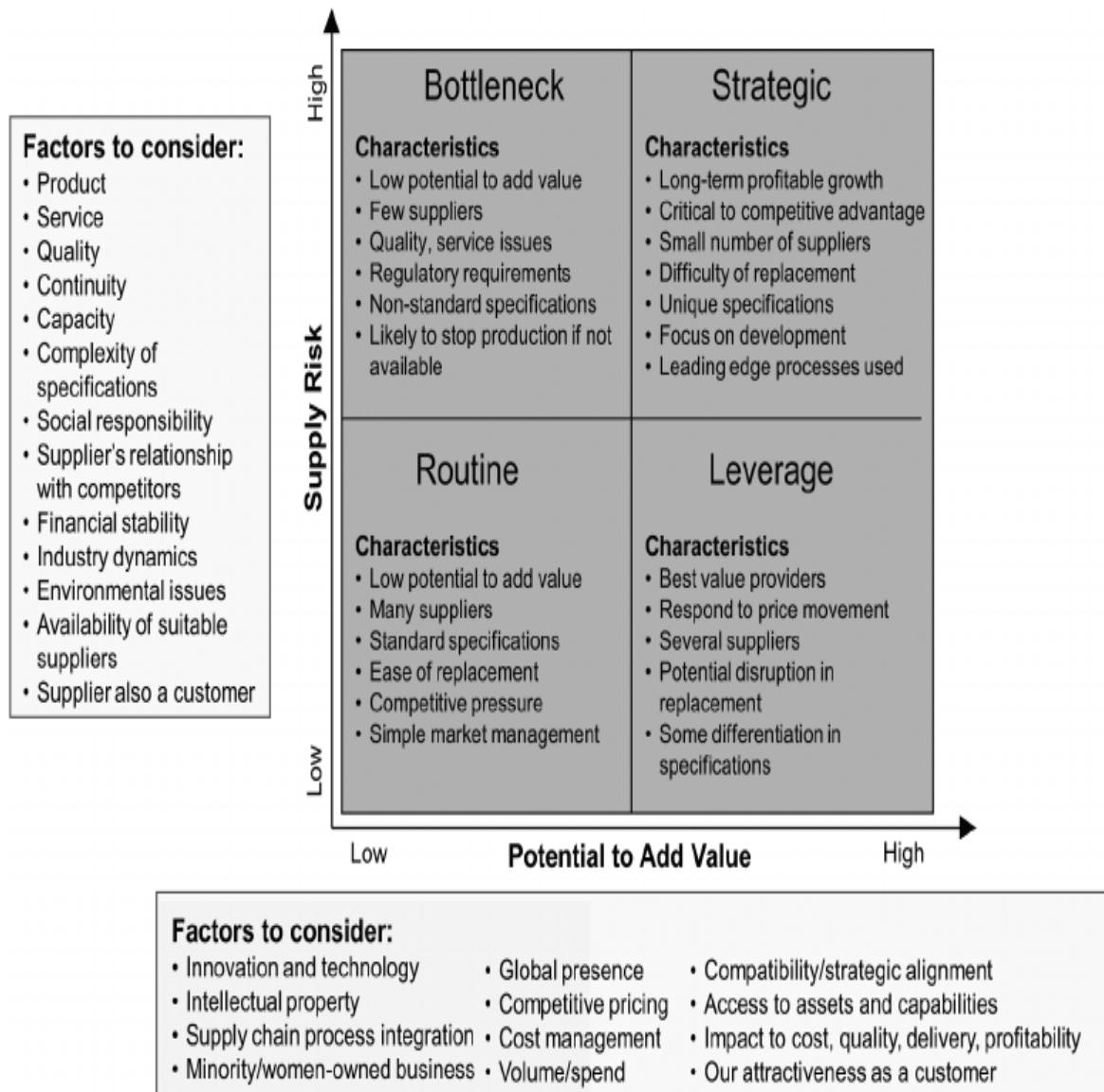
Field 4 is characterized by the use of the strategy of taking advantage of a large firm ("Chameleon"). This so-called. the franchising strategy, according to which a contract is concluded between a small and a large firm, according to which a large firm undertakes to supply a small firm with its own goods, advertising services, mature technology, presents a short-term loan on preferential terms, leases its equipment. In turn, a small company undertakes to have business contacts exclusively with this large company, conduct business "according to the rules" of

this large firm and transfer the share specified by the contract from the amount of sales to the benefit of a large firm.

Medium-sized firms are squeezed by the press of large firms and stinging small sticks. For their survival, the strategies of niche specialization are characteristic. Medium-sized firms build their activities depending on the growth rates of the market and on the possible rates of their growth (Table 3).

**Table 3.**

**Matrix of strategies of medium-sized firms**



**Source:** Courtesy of The Coca Cola Company as reported in Lambert (2008a)

As can be seen from the table, in Field 1, the strategy of preserving the existing position is applicable. In this strategy, there is a danger of losing a niche due to changing needs.

Field 2 is characterized by using the strategy of searching for the invader. The use of this strategy is dictated by the fact that the firm has an acute shortage of funds to maintain its position within the niche. The average firm begins to look for a large company that could absorb it, keeping it as a relatively independent, autonomous production unit. Using the financial resources of a large company allows the average to keep its place in the niche. Using this strategy, an average firm can constantly change owners, retaining its niche specialization.

For Field 3, the most typical strategy is to go beyond the niche. When using this strategy, the firm has problems related to both growth and resource requirements:

- The company grows as quickly as the market niche;
- The firm must have the appropriate resources to maintain its accelerated growth.

The actions of the firm in Field 4 are usually based on the leadership strategy in the niche. This strategy is successful only when the framework of the market niche is too narrow for the average firm. The firm, in terms of sales reaching the borders of the market niche, will face the competition of larger firms. For this "decisive battle" the firm must accumulate the appropriate resources. (Berry, 1990 :29)

## **CHAPTER III. ACTIVITIES TO DEVELOP AN EFFECTIVE TRAVEL COMPANY STRATEGY AND EVALUATE THEIR EFFECTIVENESS**

### **3.1 Development of a project of measures to create competitive advantages of LLC "Grant-Tour" in order to improve its strategy in the tourism market**

Technology development of measures to create competitive advantages of LLC "Grant Tour" includes, first of all, the development and improvement of the company's strategy in the tourism market.

Preservation of the market share is one of the main goals of the activity of the company "Grant-tour" at the present time. The company has been working in the market for several years and is one of the leaders among business tour operators in Moscow.

As a result of the analysis of activities, the identification of strengths and weaknesses, LLC "Grant Tour" it is advisable to choose a defensive strategy of activities.

The main goal of the defensive strategy is the formation of competitive advantages and strengthening of the company's positions. (Covin, 1994 :29)

The purpose of the defensive strategy is to reduce the risk of attack from competitors, to withstand the attack with minimal losses, to force the attackers to switch to fighting other competitors.

For this, various obstacles are being built along the way of competing firms. For example, the expansion of the assortment reduces the likelihood of a competitor pursuing a differentiation strategy entering the market. Increasing the commitment of consumers is facilitated by the

provision of discounts, notification of a decrease in prices for goods and services.

To implement the defensive strategy, the following activities should be carried out. (Chan, 2001 : 56)

1. Development of the printed catalog of the tour company LLC "Grant-tour";

2. Establishing relationships with corporate clients;

3. Rasprodazha tours in non-season at discount prices.

Development of the printed catalog of the tour company LLC "Grant-tour"

It is proposed to include in the new printed catalog prices for some of the main hotels and tariffs for additional services.

Ways of distribution of the catalog:

1. Participation in exhibitions.

2. Workshops.

3. Invitation to the office for a new catalog.

4. Advertising about the release of a new catalog in the magazine "Business".

5. Presentation of the new issue of the catalog.

Establishing relationships with corporate clients

The analysis showed that Grant Tour LLC does not work effectively with corporate clients. Therefore, it is necessary: first, to establish a database of corporate clients, and secondly, to organize a club of corporate clients. (Carson, 1990 :6)

1. The database will allow you to analyze the needs and structure of customers and, accordingly, facilitate communication with them.

2. The following data can be obtained from the application form: Name of organization, Contact phone / fax, E-mail, Address, Country of visit and period of travel, Purpose of trip.



When working with corporate clients, it is necessary to take into account the seasonality of the volume of consumption of tourist services.

Therefore, various New Year's actions, for example, the "congratulations" campaign, which provides facsimile congratulations of all organizations on the coming New Year and Christmas, can become an excellent topic for the promotion of travel agency services.

Based on the experience of other tourist firms, we can say that this event should be one of the most profitable, since corporate clients go on vacation or on business trips usually for a service account, here it is rarely a question of saving money.

Sale of tours in off-season at reduced prices

The firm organizes sales of various tours in all directions with discounts in cash (from 10% to 60% depending on direction) equivalent. Of course, all this action will have the proper level of advertising support on radio, television, in the subway, in magazines.

The objectives of the action under consideration are:

1) to disseminate in the information that from November to December the firm sells tours at discounted prices;

2) increase the number of potential customers;

3) increase the sales volume of tours for which discounts are introduced;

4) to increase sales of goods for which no discounts are introduced, due to the fact that the number of clients of the firm will increase, and they will buy not only tours for which discounts exist, but others that are not subject to discounts.

All of the above activities will entail increased competitive advantages and strengthening the position of LLC "Grant-Tour".

The simplest method for determining the economic efficiency of the strategy of the activities of LLC Grant Tour is to compare the sales

of services before and after the event. According to this method, the economic efficiency of activities is determined either by comparing the sales of services for a certain period of time when the product (turputevka) was exposed to the action, with data for the same period of time when the goods were not exposed to the action, or by comparing the daily sales before and after the event in the current time period.

The final conclusions about the economic effectiveness of the company's strategy development activities are obtained as a result of comparing the additional profit received as a result of the implementation of the activity with the costs associated with its implementation.

The main material in the analysis of the economic effectiveness of the results of measures to form competitive advantages of the firm are statistical and accounting data on the growth of sales. On the basis of these data, one can study the economic effectiveness of one or several measures to create competitive advantages, as well as all the firm's activities in developing an effective strategy.

### **3.2. Strategies for the development of small and medium-sized businesses in the Sakhalin**

The economic effect of the activities of small and medium-sized businesses is assessed in terms of its contribution to the gross regional product, improving the quality and competitiveness of goods and services produced, and the level of diversification of the activities of small and medium-sized businesses.

The development of small and medium-sized businesses in the social aspect is the employment and quality of life of Sakhalin and Kuril residents, provision of necessary goods and services for the residents of

the region, the formation of a middle class and democratic institutions of civil society, and the implementation of social programs. (Carson, 1990: 11)

Small and medium business due to the lack of serious financial reserves is the most unprotected sector of the economy from external influences. At the same time, it should be accessible to all social strata of the population, it is safe and relatively simple in the conduct of economic activities.

Today, small and medium businesses are characterized by a high degree of risk, significant dependence on the initiative and abilities of the enterprise manager, financial and commercial instability, low level of financial reserves, limited fixed assets, relatively small volume of economic activity, small number of employees and a limited number of management personnel, attracted resources and other indicators that determine its "economic imbalance".

All this allows us to characterize small and medium business as a special category of enterprises. To a separate category of entrepreneurship, start-up entrepreneurs, entrepreneurs experiencing temporary financial difficulties for objective reasons, and developing innovative, creative and non-traditional business (enterprises employing disabled people, women's entrepreneurship, youth business, rural tourism, artisans, etc.) .

This approach allows reorienting the policy of public authorities and local self-government to create and implement targeted programs for the development of certain categories of small and medium-sized enterprises, which will make it possible to use purposefully and effectively budget funds and provide real support to entrepreneurs.

In 2007, the number of small enterprises in the Sakhalin Region was 4,300 units, and the average of 137. In addition to small and

medium-sized enterprises, 18,326 individual entrepreneurs were registered in the region.

The number of employees in small and medium-sized businesses, taking into account all categories of employed, is more than 50 thousand people or 20% of the population employed in the economy of the region.

The volume of production of products (works, services) produced by small businesses in 2007 amounted to 52 billion rubles. or 21% of the total gross regional product of the Sakhalin Oblast.

The sectoral structure of small and medium-sized enterprises that has developed in the Sakhalin Oblast in recent years remains practically unchanged. Small enterprises work successfully in almost all sectors of the economy. The largest number of small and medium-sized enterprises is engaged in wholesale and retail trade, operations with real estate, as well as working in the fisheries complex.

Over the past 3 years, there has been an increase in investment in fixed assets of small and medium-sized businesses. So, if in 2004 the volume of investments in fixed assets of small enterprises and entrepreneurs amounted to 300 million rubles, then in 2007 - more than 1330 million rubles. Detailed dynamics of investments in fixed assets is given in Appendix 1. (Curran, 1996: 4510)

The main problems hampering the development of small and medium-sized businesses in the Sakhalin Oblast are:

- Underdeveloped mechanisms for financing enterprises at early stages of development;
- Lack of own resources for small and medium-sized businesses;
- Difficult access to sources of financing due to lack of collateral;
- Presence of administrative barriers;
- A small number of qualified personnel, including in the field of personnel management and production;

Speaking about the strengths and weaknesses of the development of small and medium-sized businesses, the following should be emphasized.

Strengths include:

1) the provision by the state authorities of the Sakhalin Region of financial assistance from the regional budget in the form of compensation from the regional budget of the cost of interest on investment loans received from Russian credit institutions, as well as part of the lease payments under leases of leasing companies paid to leasing companies subjects of small business;

2) holding exhibitions and fairs in the region;

3) compensation to small enterprises of part of the costs of participation in exhibitions and fairs;

4) provision of information, consulting and organizational support to small and medium-sized enterprises;

5) the existence of an independent department for the development of small and medium-sized business in the structure of the Sakhalin Region's economy committee;

6) increased attention to the development of small and medium-sized businesses in the fisheries sector (the availability of measures to increase the role of small and medium-sized businesses in the fishing industry in the draft regional program "Development of the Fishery Complex of the Sakhalin Oblast for 2009-2011");

7) privileges on regional taxes in certain areas of activity for small and medium-sized businesses.

The weaknesses include:

1) significant territorial differentiation of small and medium-sized businesses (more than 70% of small and medium-sized businesses are concentrated in the regional center);

2) incomplete coverage of territories, especially in remote municipal formations, services of small and medium-sized businesses;

3) shortage of vacant space for the placement of facilities necessary for the performance of activities of small and medium-sized businesses;

4) lack of qualified personnel;

5) access to credit, land and other types of resources is restricted;

6) weak protection of the rights of entrepreneurs in the exercise of state control and in the process of obtaining permits necessary for business;

7) lack of state support to organizations that form the infrastructure for supporting small and medium-sized businesses;

8) non-application of the program-target method for planning the development of small and medium-sized businesses;

9) low activity of local self-government bodies in the development of small and medium-sized businesses, including the absence in the vast majority of municipal entities of the Sakhalin Region of municipal targeted programs to support and develop small and medium-sized businesses;

10) absence of the Sakhalin Oblast law on support and development of small and medium-sized businesses.

According to the Sakhalin Oblast Social and Economic Development Strategy until 2020, approved by the resolution of the Sakhalin Oblast Administration of July 11, 2008 No. 203-pa, the development of small and medium-sized businesses is highlighted as one of the main tools for achieving the main goal of the Strategy - ensuring a high level of well-being and the quality of life standards of the population of the island region, corresponding to the level of the most developed countries.

Also, the most important role for the development of small and medium-sized businesses is given in the draft program of social and economic development of the Sakhalin Oblast for 2008-2010. (Curran, 1996 :4520)

Thus, the creation of conditions for the development of small and medium-sized businesses is necessary for the implementation of the Strategy and the socio-economic development program of the Sakhalin Oblast.

The following options are available to overcome the crisis and create conditions for the intensive development of small and medium-sized businesses, as well as organizations that form the infrastructure for supporting small and medium-sized businesses in the Sakhalin Region through program-targeted methods, taking into account goals and objectives.

Option 1. Improvement of regulatory, legal, material and organizational prerequisites aimed at eliminating manifestations of shadow economic activities of small and medium-sized businesses.

When evaluating this approach to overcome the problems of the development of small and medium-sized businesses, one should proceed from the premise that for many enterprises various kinds of violations are the only possible way of survival in today's conditions.

If, at the same time, efforts are not made to create the prerequisites for positive development, not to ensure "parallel" reform and increase the efficiency and significance of small and medium-sized businesses in the economic life of the Sakhalin region, its regulatory system, then success in reducing the scale of shadow activities will only show the real depth of the crisis, experienced by this sector of the economy, will predetermine, at least in the medium term, the exit from business of a significant number of enterprises, the decline in real tion of

goods (works, services) produced by small and medium businesses, and other negative social and economic consequences.

The following three options for the development of small and medium-sized businesses will be based on the principle of forming clusters of small and medium-sized enterprises, depending on the industries.

The fifth variant of solving the problems of the development of small and medium-sized businesses will be based on the principle of territorial differentiation of the municipal entities of the Sakhalin Region in terms of the level of social and economic development.

Option 2. Concentration of efforts to support the development of an industrial-innovative cluster of small and medium-sized businesses.

Within the framework of this option, the development of small and medium-sized businesses with the help of state support mechanisms will be carried out in the processing industries (timber industry, production of building materials, production of fish products), as well as in science and innovative technologies.

With this solution, the role of a science-intensive component in small and medium-sized businesses will increase, and the share of small and medium-sized businesses engaged in production will increase.

The risks of implementing this approach are explained by two factors.

First, the development of an innovative component is possible at this stage with the use of available innovative resources only in the fisheries and agriculture spheres. This means that coverage by the intensive development of small and medium-sized businesses will include only two branches of the economy in which small and medium-sized businesses operate.



Secondly, an inadequate market for the consumption of science-intensive technologies and products of the Sakhalin industry can only cause a one-off spike in the activities of small and medium-sized businesses engaged in a science intensive field or industrial production, which means that it is impossible to solve the systemic problems of small and medium-sized businesses. Also, the development of the "logistics" system contributes to the formation of this trend, the improvement of which is not provided for by this variant of the solution of the problem.

Option 3. Concentration of efforts to support the development of a social and innovation cluster of small and medium-sized businesses.

With such an option, the role of business in general and of small and medium-sized business entities in particular in the social sector, namely in health care, culture, education, etc., will also increase. Also, the planned development of small and medium-sized businesses engaged in tourism, provision of communal and household services. With this option, the problem will be able to create competition in the monopoly industries of the Sakhalin Region that have developed to date.

However, stimulating the development of entrepreneurship in these industries will not allow to significantly increase the pace of industrial production of small and medium-sized businesses.

In addition, innovation products under this scenario will be acquired from outside the Sakhalin Oblast, which will create additional difficulties for the development of an innovative product of the Sakhalin Oblast.

Option 4. Concentration of efforts to support the development of a "transit" sector of activity of small and medium-sized businesses.

With this variant of the solution of the problem, the main goal is the development of small and medium-sized business entities that carry

out activities in the areas of communications, transport, and wholesale trade.

Due to the implementation of this option, competition in the market of communication and transport services will be increased, in the food market of the Sakhalin Oblast, and a "logistics" system will be created. All this will cause a decline in prices for the services provided, and in trade - a decrease in the role of trade intermediaries in the sale of goods from producers to direct consumers.

However, stimulating the development of entrepreneurship in these industries will not allow to significantly increase the pace of industrial production of small and medium-sized businesses. Also, the problem of diversifying the regional economy and the dependence of the island region from the all-Russian trade environment, including pricing of essential goods, will not be solved.

Option 5. Support and development of small and medium-sized businesses in depressed municipal entities of the Sakhalin Oblast.

Within this version of the solution of the problem, the constituent part of business in the economic development of depressed municipal entities of the Sakhalin Oblast will be increased, which will increase tax revenues to the regional and local budgets, and, as a consequence, entail the development of these municipal entities.

However, this development of small and medium-sized businesses will allow increasing the role of entrepreneurship only in some municipalities of the Sakhalin region. In addition, the underdevelopment of the infrastructure of depressed municipalities can be a factor that significantly impedes the development of small and medium-sized businesses.

It is proposed to put a system of measures to support small and medium-sized businesses in all sectors of the economy, depending on the

economic potential of each sector in a particular municipality through the implementation of territorial planning (determining points of economic growth) to support and develop depressed municipal entities of the Sakhalin Oblast, creating a "logistics system" , that is, in fact, the synthesis of the options discussed above, so that the degree of these risks will be reduced to a minimum.

## CONCLUSION

Strategic management is the process that determines the sequence of the organization's actions to develop and implement the strategy. It includes setting goals, developing a strategy, identifying the necessary resources and maintaining relationships with the external environment that enable the organization to achieve its objectives.

The global prerequisite for the successful development of a management strategy at any level is the proper definition of goals. Only knowing the goals you can find ways and means to implement them. Goals should be set in the following areas of activity: competition and market participation; profit growth; offering services to consumers and target markets; marketing and sales; distribution of income; Research and development; production results; finance and control.

Tourist organizations work with information, taken, first of all, from analyzes, forecasts and study of trends. The basis of information support is a deep multilevel study of domestic and foreign markets on a wide range of indicators and values that affect the management and performance of the organization. An important role in this is played by the so-called analysis of the parameters of the marketing population, which, through information on the price, services and methods of their promotion to the market, significantly influences the decisions made in the formation of the organization's strategy.

Entrepreneurship and entrepreneurial activity is the initiative and independent activity of citizens or their associations aimed at obtaining profit and personal income, carried out at their own risk and under their property responsibility within certain limits. An entrepreneur can carry out any kinds of economic activities, if they are not prohibited by law, while the state provides him with legal guarantees and support.

The activity of small and medium-sized businesses is one of the indicators of the modern Russian economy. This is confirmed by constant changes in legislation aimed at creating favorable conditions for the free development of small and medium-sized businesses.

Enterprises engaged in entrepreneurial activities have received many degrees of economic freedom in the choice of both its directions and rules of conduct. However, lack of experience, not always an impeccable legal and financial framework, as well as unstable socio-economic situation in the country, marked a range of topical issues, the main one of which is the development of a survival strategy in the face of the economic crisis.

But, despite the current situation in the country's economy, the pace of development of small and medium-sized businesses can be called sustainable. The methodology of entrepreneurship has already been developed, a sufficient regulatory and legal framework has been established to regulate the relations of business entities and an invaluable practical experience has been accumulated. The social image of the entrepreneur and the attitude of society towards him have changed.

Small and medium-sized businesses in Russia so far fall behind the business of industrialized countries. But in our country there are big reserves of further business growth.

The current system of state support for the development of small business in Russia is not effective enough, it needs to be developed and improved.

If we talk about small and medium-sized business in the Sakhalin Oblast, we must do so more gently to open up entrepreneurship. If this happens, then we will have more jobs, we will drop the unemployment rate.

From all of the above, it follows that we should not stand still, our government should help small and medium-sized enterprises, it should sponsor it more, so that this business will continue to develop.

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