

# Problems of Ensuring Economic Stability of Small Business in Russia and Bulgaria

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**Abstract**— Development of the new economy which is based on the advancing growth of knowledge and the representing opportunity for development of the small business possessing innovative characteristics became one of the priority directions of state policy of the Russian Federation. From management of the organizations and enterprises there is an understanding that the used strategy of intensive growth for small business are a little effective, the environment of business is unstable and highly competitive therefore the threat of economic stability is rather real.

The present article is devoted to a research of process of management of the subject of small business in Russia and Bulgaria. Due to comparison of environments of business, confidants to each other (the being "socialist camp"), and allocations of national peculiarities an attempt of allocation of components of economic stability of management of small business is made.

By consideration of management of economic stability of the subject of small business, authors of article in a complex analyze his main components. The list of threats of economic stability and possible indicators of assessment of economic stability in relation to subjects of small business decides on allocation of national peculiarities.

On the basis of comparison of planned and actual values of indicators of assessment authors enter levels of threat of economic efficiency and suggest to use them for justification of administrative decisions of small business entity. In work the emphasis is placed that the allocated components of process of management of economic stability of the subject of small business are peculiar to the organizations and the enterprises irrespective of their national identity.

**Keywords**—*management of small business, the subject of business making process of management of economic stability, indicators and assessment of efficiency of economic stability of small business.*

## 1. INTRODUCTION

Small business and its role in the economy have been the object of research of economists for several centuries, recently these studies have acquired a political context [19, 20]. One of the priority directions of the state policy of the two countries - the Russian Federation and Bulgaria [1, 2, 4], is the

development of a new economy based on advancing growth of knowledge and presenting opportunities for the development of innovative entrepreneurship.

## RELEVANCE

On the part of management of organizations and enterprises there is an understanding that the intensive growth strategies used for innovative entrepreneurship are not very effective, the business environment is unstable and highly competitive, therefore the threat of economic stability is real enough.

## FORMULATION OF THE PROBLEM

The subjects of innovative entrepreneurship may be small and medium-sized enterprises, as well as large concerns operating in most sectors of the economy. Innovative entrepreneurship is associated with the willingness of the entrepreneurial manager to take the risk of implementing a new project or improving the existing one, as well as financial, moral and social responsibility that arise at the same time [16, 19].

One of the factors of innovative development of countries is innovative entrepreneurship in general, as well as its important component - small innovative enterprises.

Entrepreneurial activity will be innovative if it is based [7, 8] on:

- initiation of new ideas (from new technology, new product, new organizational solutions, which have no analogues);
- use of fundamentally new or alternative resources;
- creation of innovative business and use in its management of flexible management technologies;
- Receiving income from new activities; personal satisfaction from the achieved result.

According to the Strategy for Innovative Development of the Russian Federation, by 2020 the number of innovative enterprises is planned to be increased 4-5 times relative to

9.5%, but the problem of managing the economic stability of these entities is being updated [14, 15, 17].

#### THEORETICAL PART

To consider the problem of economic sustainability of innovative entrepreneurship [3, 5] is complex and systemic. The components of economic sustainability [12, 14] of innovative entrepreneurship can be identified conditionally, their list for each business will depend, first of all, on the availability of separation of ownership and management rights, scope of activities and industry affiliation [9, 11].

A set of components of the economic sustainability of innovative entrepreneurship can include the components: management, production and technology, scientific and technological, personnel, financial, investment, information, commercial and marketing, supply-logistical, regulatory and anti-criminal, technogenic and environmental.

We will describe the list of components of economic sustainability that will be inherent in innovative small and medium-sized enterprises, which are considered as a resource for the development of the national economy.

The managerial component of economic sustainability (EA), which manifests itself in improving the efficiency of business management, increasing the qualifications and professional competence of the manager-entrepreneur, in improving and optimizing the management structure of a legal entity. If the management component of sustainability is to be ensured, it is necessary to understand the division of property rights and management at a certain stage of business development, otherwise, the owner of business begins to hamper its development.

Ensuring the managerial component of the EA is gaining relevance with family business. According to unofficial statistics, over 45% of legal entities from the total number of registered entities (over 25% of the activity is of an innovative nature) and the problems of management, continuity, socio-psychological relations are able to place the business in the absence of effective management in the "the edge of survival" [13]. An important risk for the development of family business is the emergence of new economic articles in the Criminal Code of the Russian Federation (Article 199.1), according to which the motive of the crime "personal interest" can be expressed in the desire to "benefit the property, as well as non-property," where family character is a sign of crime.

The production and technical component of the power plant allows to accumulate and develop the production and technical potential of the main process (production, services or work), maintain reproductive capabilities, respond quickly to changing market requirements and business conditions. The optimal variant of the innovative business activity for small and medium-sized businesses is the parallel conduct of production and commercial activities, which will increase sensitivity to market requirements and mobility re-orient production; for large business, on the contrary, there is an opportunity to concentrate on production, having built the optimal structure of intermediary relations.

The scientific and technological component of the EU is expressed in maintaining a high level of entrepreneurial potential, without which the existence of innovative business becomes impossible. This component includes the existence of an experimental or experimental base (either on its own or available on the basis of an agreement), active innovation that allows to create and implement innovations and produce products that exceed the competitors' products in terms of consumer properties and price characteristics.

The personnel component of the EA, which depends on the quantitative and qualitative indicators of the personnel potential of the business, the ability of employees to act in conditions of multitasking with the optimal number of staff. To ensure staff sustainability, the management of innovative entrepreneurship should preserve the available highly qualified employees, prepare in a timely manner the entry of new personnel into the created (vacated) workplaces, create conditions for the development of existing ones and acquire new competencies, and improve working conditions and social security for staff to consolidate them.

The financial component of the EA is expressed in ensuring continuous financial flows in the required volumes, the effectiveness of the use of financial resources and the formation of available financial reserves (with the risk of insolvency of counterparties, revocation of the license from the banking organization, urgent coverage of the existing accounts payable, unjustified blocking of accounts, the appearance of collection orders for payments already made and obligations, etc.), maintaining the optimal ratio of own and borrowed funds, reduced the investment component of the EA is manifested in the ability of the manager-entrepreneur in attracting investments necessary for production growth. With all the advantages of preferential lending to small and medium-sized businesses being positioned, in fact, one can get access to credit and financial resources (there is no bank account in this bank, revenue is less than the control value, the type of economic activity is not included in the priority of support, etc.). Due to the lack of legislation regulating the activities of family enterprises, which according to unofficial statistics is about 50%, it is impossible to equate household funds with investments in business development and determine their real volume. These funds can be credited to the accounts of legal entities as borrowed funds from the founder on interest or non-interest bearing terms. The limited nature of investments reduces the prospects for the development of innovative entrepreneurship to a pessimistic or stressful scenario, as a result of which business is liquidated. It is unable to constantly support the introduction of innovations.

The information component of the EA makes it possible to increase the security of information and computer networks, as well as telecommunications and communication facilities from unauthorized access, to prevent the leakage of scientific and technological and commercial information, to prevent the infection of computer programs, and to provide storage conditions for large databases using cloud technologies. The introduction of information technologies makes it possible to speed up the process of developing an innovative product

model, to perform calculations, to reconcile its properties with the customer.

Commercial and marketing components of the EA, which are directly dependent on each other. It is manifested in constantly conducted marketing research that allows making decisions on the development and production of innovative, high-margin products of high profitability; in the ability to conduct an active marketing policy (from the author - not to be confused with aggressive) in the market; the priority of management on the creation of advanced stocks for the purpose of developing and mastering new technologies and new products. These components of economic sustainability make it possible to form customer loyalty by defining the list of the most effective marketing actions, its motivated behavior and the willingness of the consumer to expect and acquire each subsequent innovative product of the "new generation".

The supply and logistics component of the project provides for the creation of a reliable and stable system for the timely supply of raw materials, as well as for the formation, if necessary, of an optimal stock of stocks to ensure the rhythm of the main production process. This component allows to minimize the costs of logistics and warehousing already in the course of commercial activities, as well as unreasonable loss when moving.

The regulatory and legal component of the EA presupposes the formation of a high level of legal culture among modern managers, the observance of legislation regulating the activities of organizations, the ability to defend commercial interests by legal methods, incl. when protecting against unfair competition (violation of intellectual property rights, industrial and economic espionage, false information, discrediting business reputation, etc.) and corruption impact when launching the production of an innovative product, production and its commercialization.

Anti-criminal component of the EA directs the management of the organization to ensure the security of the economic activity of the organization from the criminal intentions and actions of other persons aimed at extracting revenues in violation of the current legislation or related to problems or shortcomings in it; in the prevention of a life-threatening impact on the personnel of the organization and the life support system of the subject of innovative entrepreneurship. The technogenic component of the power plant is ensured by compliance with the norms of the legislation on industrial safety and labor protection, the protection of the personnel and material values of the organization against harmful natural and man-made impacts; It also presupposes the introduction of standards of corporate social responsibility.

The ecological component of the EA, which is manifested in the implementation of environmental measures, in compliance with permissible emission standards, as well as in the creation of a system of environmental monitoring of the activities of organizations.

## PRACTICAL SIGNIFICANCE

According to the listed components of the economic sustainability of the development of innovative entrepreneurship in the format of small and medium-sized businesses, we will identify the causes that cause the emergence of threats:

lack of separation of property rights and management, lack of fixed status of the family business, low competitiveness, lack of investment and limited access to loans for business, non-payment of customers for public projects in procurement, instability of the financial position of the organization, reduced business protection from credit institutions and fiscal authorities, large the volume of reporting, an unfavorable investment climate, a high level of inflation, a complex "legal field of activity", etc.

From the exact identification of threats and the correct choice of meters, the adequacy and speed of the response of the organization's management depends, as well as the effectiveness of management measures for their prevention and neutralization, appropriate to the scale and nature of the threats.

The solution of this management task depends on the specifics of the management object. In relation to innovative entrepreneurship, indicators of economic sustainability include:

production - production dynamics; real level of capacity utilization; labor productivity; rate of renewal of fixed assets; stability of the production process; product competitiveness; degree of depreciation of fixed assets;

financial - the structure and volume of the "portfolio of orders"; investment size; optimal ratio of own and borrowed funds; the potential of the organization; share of investment in innovation; level of profitability; capital productivity; capital intensity of production; overdue payables and receivables; share of own sources of financing;

innovative - the amount of expenditure; share of research in the scope of work; the share of new products in total production;

social - the level of wages in comparison with the average indicators in the industry and the economy as a whole; the existence of wage arrears; loss of working time; structure and characteristics of the human resources of the organization.

Depending on the actual and normative values of indicators, the state of economic sustainability of innovative entrepreneurship can be described as follows: 1) stable when indicators are within the thresholds and the degree of use of the organization's potential is close to the normative values; 2) pre-crisis - the values of 25% of the indicators are close to the barrier values (for example, 3 of 12), but the technical and technological possibilities of improving the performance results are not lost; 3) crisis - the barrier value of 50% of indicators is exceeded and (or) found themselves in the "instability zone" (they are at the threshold values, but so far they have not exceeded them); 4) critical - when all (or above 75%) of the barrier values of economic sustainability

indicators are overcome, and the reduction of the organization's potential has a stable negative dynamics.

#### CONCLUSION

The main stages of the activity of the manager-entrepreneur in monitoring the components of economic sustainability are [18]:

- Awareness of the need to monitor the evaluation of their own management activities and the object of management;
- Identification of the factors characterizing the perspective directions of business development;
- identification of threats to the economic sustainability of the business;
- formation of the list of indicators of economic sustainability of innovative entrepreneurship, taking into account the industry and assigning them regulatory values;
- collection and preparation of information characterizing the monitoring objects;
- modeling and formation of development scenarios and business strategies;
- adoption of advanced managerial actions in detecting deviations from the values of indicators of economic sustainability;
- calculation of technical and economic indicators for the monitoring period;
- analysis of the organization's performance;
- development and implementation of proposals and measures to prevent or neutralize threats to the economic sustainability of the organization in the medium and long term.

Carrying out of forecasting and management of economic stability of business requires the use of a set of methods and approaches [10, 13]. At present, the combination of analytical, balance and normative approaches, as well as a program-target approach with methods of economic and mathematical modeling, is considered to be the most effective.

Innovative entrepreneurship in Russia and Bulgaria is of great importance in solving structural problems in the country's economic system [6, 16]. However, it requires new management approaches to maintain economic sustainability of subjects of innovative entrepreneurship. Innovative activities in the implementation of advanced management decisions, and first of all, the introduction of other tools to support such entities and the redistribution of financial flows, the creation of a multi-level training system and the prerequisites for the formation of a sustainable system of innovative developments within organizations.

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