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УДК 339.926

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ТЕНДЕНЦІЇ РОЗВИТКУ ТА ПРОБЛЕМИ УПРАВЛІННЯ**

**Анотація.** У результаті дослідження виділено та проаналізовано головні сучасні тенденції у розвитку МСП такі, як: посилення їх ролі у генеруванні доданої вартості та зайнятості; поширення практично у всіх секторах економіки; домінування у сфері виробництва, торгівлі, бізнес-послуг; усвідомлення необхідності інтернаціоналізації господарської діяльності та посилення інноваційності; здійснення всеохоплюючої фінансової та інформаційної підтримки МСП, як на національному рівні, так і на рівні Європейського Союзу в цілому.

**Ключові слова:** малий та середній бізнес, Європейський Союз, управління МСП, фінансова підтримка МСП, тенденції розвитку МСП.

**А. В. Хоменко**, д. п. н, доцент,  
**Е. М. Паливода**, к. э. н, доцент**МАЛЫЙ И СРЕДНИЙ БИЗНЕС В СТРАНАХ ЕС:  
ТЕНДЕНЦИИ РАЗВИТИЯ И ПРОБЛЕМЫ УПРАВЛЕНИЯ**

**Аннотация.** В результате исследования выделены и проанализированы главные современные тенденции в развитии МСП такие, как: усиление их роли в генерировании добавленной стоимости и занятости; распространение практически во всех секторах экономики; доминирование в сфере производства, торговли, бизнес-услуг; осознание необходимости интернационализации хозяйственной деятельности и усиления инновационности; осуществление комплексной финансовой и информационной поддержки МСП, как на национальном уровне, так и на уровне Европейского Союза в целом.

**Ключевые слова:** малый и средний бизнес, Европейский Союз, управления МСП, финансовая поддержка МСП, тенденции развития МСП.

**О. М. Palyvoda**, Candidate of Economic Sciences, Associate Professor,  
**О. V. Khomenko**, Doctor of of Pedagogic Sciences, Associate Professor**SMALL AND MEDIUM BUSINESS IN THE MEMBER STATES OF THE EUROPEAN UNION:  
TENDENCIES OF DEVELOPMENT AND PROBLEMS OF MANAGEMENT**

**Abstract.** The main current trends in SME development are identified and analyzed based on the investigation, such as: strengthening of their role in generation of added value and employment; their advancing in almost all economic sectors; their dominance in manufacturing, trade, business services; realization of the need for internationalization of economic activity and innovation reinforcement; implementation of a comprehensive financial and information support of SMEs both at the national level and at the level of the European Union as a whole.

**Keywords:** small and medium enterprises, the European Union, management of SMEs, financial support for SMEs, SME trends of development

**Introduction.** Since the early 90th of the last century the EU has carried out a large-scale and targeted support of SMEs. Increased attention to these sectors is stipulated by the awareness of its importance for economic development, prosperity and stability both in the EU and in some of its regions.

The dynamic economic environment, which accelerates the processes of globalization, technological and structural transformation, requires the same dynamic economic entity that is subject to innovation transformation, mobility and isomorphic embodiment in the business environment. Small and me-

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dium-sized companies are exactly the economic entities that are presented almost in each sphere of economic activity.

The growing interest in research of SME sector resulted in emergence of a number of publications devoted to the analysis of the characteristics of their operation, management and worldwide support. The studies conducted by L. Vorotina, Z. Varnaliy, I. Bagrov, I. Bochan, V. Budkin, V. Vlasyuk, A. Halchynskiy, V. Liashenko dwell on the analysis of the vast majority of domestic small businesses and the ways and mechanisms of adaptation of international experience to the specific national conditions.

Despite the numerous publications on SMEs and in view of the prospects of European integration of Ukraine, the analysis of trends and prospects of the SME sector in European countries is of a particular relevance.

**Setting objectives.** The purpose of the article is to identify and analyze key trends, factors of small and medium enterprises (SME) development and management in the EU in order to work out mechanisms for optimal SMEs adaptation in the European Economic Area. The static and dynamic methods of analysis of statistical data, qualitative and quantitative comparison, grouping and summarizing methods have been used in the process of the study.

**Research results and implications.** A research of SMEs activities always begins with clarifying criteria for their identification, as they have a very significant national differentiation. It should be noted that in the world practice there are three basic approaches to this issue. Traditionally the researchers distinguish quantitative, qualitative and combined criteria of SMEs. Among the most common quantitative criteria are: the number of employees in an organization, annual gross revenue from sales and services, cost of funds of an organization, the annual amount of profit, amount of statutory fund, the cost of energy used, the number of vehicles, the area of industrial premises and so on.

The most important qualitative criteria of small companies are: a combination of capital as a function and capital as a property, owner's direct participation in the production process, simplified communications and information sharing, a higher propensity to innovations, low market share, the high vulnerability due to the market conditions.

Combined methods are a combination of quantitative and qualitative criteria. In practice, quantitative criteria are mainly utilized, while usually both quantitative and qualitative criteria are simultaneously combined multiple. In the EU SMEs are defined by number of employees, annual income from sales of products or services and the balance sheet (Table 1). It should be noted that the last two criteria are interchangeable, meaning that the company can independently choose one of them.

Table 1

**Criteria for defining SMEs in the EU**

Company category	Employees	Annual Turnover	Balance Sheet Total
<b>Micro</b>	< 10	< €2 m	< €2 m
<b>Small</b>	< 50	< €10 m	< €10 m
<b>Medium</b>	< 250	< €50 m	< €43 m

Source: [1]

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- "White Paper" (1993) sets out the EU strategy to support small business in Europe;
- The European Charter for Small Enterprises (2000) defined the principles and directions of support small business, and underscored the need for its development;
- Small Business Act for Europe (SBA) (2008).

Under the current legislation that regulates small businesses in the EU, there are ten basic principles of state support of this type of business:

- Entrepreneurship: Creating an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.

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- Second Chance: Ensuring that honest entrepreneurs who have experienced bankruptcy are promptly given a second opportunity to succeed.
- Think Small First: Designing rules modeled on the “Think Small First” principle.
- Responsive Administration: Making public administrations responsive to the needs of SMEs.
- State Aid and Public Procurement: Adapting public policy tools to suit SME needs - facilitating SMEs’ participation in public procurement and ensuring better access to State Aid for SMEs.
- Access to Finance: Facilitating SMEs’ access to finance and developing a legal and business environment conducive to the specific requirements of SMEs, including timely payments in commercial transactions.
- Single Market: Helping SMEs to benefit more from the opportunities offered by the Single Market.
- Skills and Innovation: Promoting the enhancement of skills in the SME workforce and all forms of innovation.
- Environment: Enabling SMEs to transform environmental challenges into economic opportunities while acting sustainably.
- Internationalization: Encouraging SMEs to benefit from the growth of global markets and supporting them in this pursuit [2].

The European Commission notes that since the beginning of the 2000s conditions for small and medium businesses in the EU have improved. A number of legal and market barriers have been removed; access to finance and international scientific and technical cooperation has been made simpler. However, not all of the issues have been perfectly solved all problems.

SMEs sector is extremely sensitive to market fluctuations, and therefore the financial crisis of 2008-2009 affected it immensely and still the negative aftereffects are being observed in the indices of SMEs economic activity in the EU. Only eight EU countries have managed to recover the indices of SMEs activity to the pre-crisis level. Although it should be noted that compared to big business small companies survived the crisis more resiliently and cushioned the fall of the economy especially in terms of employment.

• In 2013 there were 21.6 million SMEs in the EU which employ up to 88.8 million of people who created €3.666 trillion value added, which is 28% of GDP of the European Union. In general 99.8% of enterprises operating in the EU are SMEs; they provide 66.8% of total employment, and generate 58.1% of value added. The structure and dynamics of the main indicators of SMEs of different sizes in 2009-2013 is presented in tables 2.

Table 2

<b>Dynamics of changes of SMEs economic indices in EU</b>					
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Number of enterprises</b>					
SMEs	-1,35%	2,11%	0,64%	-0,35%	-0,89%
Large	-3,46%	-1,00%	2,38%	-0,17%	-0,34%
Total	-1,36%	2,11%	0,64%	-0,35%	-0,89%
<b>Value added</b>					
SMEs	-9,62%	4,44%	4,20%	1,52%	1,11%
Large	-10,12%	9,32%	2,89%	1,62%	-0,03%
Total	-9,83%	6,46%	3,64%	1,56%	0,63%
<b>Employment</b>					
SMEs	-0,46%	-0,96%	0,16%	-0,85%	-0,51%
Large	-3,57%	0,51%	1,45%	-0,08%	0,08%
Total	-1,49%	-0,48%	0,58%	-0,60%	-0,32%

Source: [3].

It should be noted that in 2013 SMEs sector at the EU level has recovered to the pre-crisis levels only by the value added indices, while employment rates in 2013 were lower by 2.6% then the level recorded in 2008. In the non-financial business sector value added created by SMEs increased by 1.1% in 2013, but employment and number of companies decreased by 0.5% and 0.9% respectively in 2008 [3].

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The countries that managed to recover their indices to the pre-crisis level are Austria, Belgium, Germany, Estonia, Malta, Sweden and Slovakia. In this group of countries value added index exceeded the level of 2008 by 10%. Although the growth of employment number was only in Germany and Estonia. The number of employees in these countries increased by 10% and 8% respectively.

Sectors of the EU economy where SMEs today are the most common are: wholesale and retail trade; manufacturing; construction; professional, scientific and technical activities; hotel and restaurant activity.

Overall, these five sectors account for nearly 4/5 of all SMEs in the EU (Figure 1).



**Fig. 1. Total value added by sector, EU28 (2013)**

Source: [3].

These sectors generated 71% of value added and 79% of employment in SMEs in the EU. The way out of the last financial crisis was quite dynamic for companies that operated in business services and retail trade, while SMEs in construction were seriously affected, in particular, the decline in production of value added was 22%, in employment was 10% in 2014 compared to 2008 [3].

An important trend of SME contemporary development is to promote intensification of foreign trade. The latter generates additional opportunities for sustainable competitiveness through the development of cross-border cooperation, greater knowledge sharing, and access to new markets. However, despite the overall awareness of the importance of internationalization, specialists in the European Union state that there are a lot of internal and external barriers that impede this process.

Furthermore, the situation is complicated by the lack of statistical data on the actual volume of export of goods and services by small companies, their productivity and actual problems and issues they face still remain uninvestigated.

In 2014 the European Commission analyzed the following types of international activities of SMEs as exports, imports, foreign direct investment, international subcontracting and international technical cooperation. It was ascertained that 42% of SMEs in the EU were involved in internationalization. Experts point out that an important factor in SME growth is domestic demand, however, during the crisis in the EU it fell by 4%. Studies that were conducted showed that the growth of small businesses at that time was mainly due to the export activity. About 25% of EU exports is carried out in the SME sector [3].

However, such international activity was mainly aimed at other countries within the internal market, and only about 13% of EU SMEs were active in the markets outside the EU. Only 10% of the total turnover of SMEs international activities (42%) were received from consumers of the third countries. The survey results also showed that the export-oriented SME demonstrate higher volumes of commodity turnover and employment compared to SMEs working only in the domestic market. An important fact is export-oriented SMEs are more innovative: 26% of these enterprises presented the products or services that were new for their sector in their country, while among other SMEs this figure was only 8% [3].

European SMEs are more active in the international market than American and Japanese companies in the sector. The vast majority of European SMEs are engaged in import operations. In 2013 39% of SMEs were engaged in importing international activities, while exporting activity amounted to 18%.

Despite the existing support of SMEs at both national and EU level, their internationalization is associated with significant internal and external barriers, including national and international administra-

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tive rules, formal and informal trade barriers, cultural differences, lack of information, skills, sufficient networks, language barriers and difficulties in access to finance.

With the development of new markets SMEs in the EU also faced the problems with the access to market information in other countries in order to locate potential customers and find appropriate partners, and such complex problems as compliance with foreign laws, such as the rules of contract law, customs rules, technical regulations and standards, management of technology transfer and protection of intellectual or industrial property.

Usually SMEs are less prepared to solve these issues, compared to big companies that have sufficient own financial and human resources. In this regard, experts point out that the bigger a company is the more intensive its exporting activities are. This tendency is proved by statistics data generated by the studies conducted in five largest EU member states (table 3).

Table 3

**Percentage of exporting firms over total number of firms by size class in 5 largest EU28 countries [3]**

	Italy (2011)	France (2013)	Spain (2010)	Germany (2010)	United Kingdom (2011)
<b>0-9</b>	3%	4%	1%	9%	9%
<b>10-49</b>	29%	(0-249)	48%	47%	20%
<b>50-249</b>	49%		85%	68%	34%
<b>Large</b>	54%	70%	93%	80%	41%
<b>Total</b>	4%	5%	4%	11%	11%

Source: [3].

In modern conditions, estimation of a certain economic entity potential necessarily involves evaluating of its innovative potential. In the EU high-tech and science-consuming SMEs make important contributions to the growth potential. In general, the intensity of high technology in manufacturing in EU28 is relatively lower than both in SMEs and large firms. In 2013, only 2% of SMEs were involved in high technology industries, and in the case of large firms the figure was 7%. High-tech SMEs generated approximately 6% of the value added, while large high-tech firms make up 13% of the value added. On average, in the most EU28 Member States high-tech SMEs produce from 1% to 10% of value added [3]. However, in such countries as Ireland and Malta high-tech small and medium enterprises play a particularly important role. For example, in Ireland more than 30% of industrial value added created in the sector of high technology by SMEs; in Malta the figure is 18% [3].

To ensure the sustainable growth of SMEs and their efficiency, the European Commission is trying to solve the main problems SMEs facing through the development and implementation of innovative solutions in economic policy. In particular, much attention was focused on improving the access of SMEs to finance.

The following are some ways of financing:

- direct financing through grants for specific projects. Grants typically are established for specific purposes (environment, research, education, etc.);
- indirect financing through financial intermediaries such as banks, credit institutions and investment funds. Its purpose is to increase loans to SMEs and to encourage these intermediaries to improve the lending capacity of SMEs.

The development of direct financing for SMEs in the EU for the period 2014-2020 is expected through the following programs: Horizon 2020; Programme for the competitiveness of enterprises and small and medium sized enterprises (COSME); Erasmus +; LIFE 2014-2020 [4, 5].

The main principles of financing programs to support SMEs through grants include: co-financing, i.e support provided in the EU covers the costs of projects submitted by SMEs and other organizations; grants are awarded competitively through a public announcement, which means that eligible projects must be submitted by a certain date, to comply with clearly defined themes; participation in programs is open to a wide range of applicants, including government agencies, enterprises, research and technological centers etc.

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Indirect financial support of SMEs through financial instruments and financial intermediaries that provide loans, guarantees, venture capital financing and other forms of equity financing. The decision on grant credit, guarantees or partial financing is made by local finance institution, which set specific financing conditions (amount, terms, interest rates, etc.). Among the innovative methods of SMEs financial support there is a new one, which fosters a "secondary stock market for SMEs", and involves efforts to increase the number of financial intermediaries nationwide, reducing administrative burdens and increasing awareness of entrepreneurs in the existing schemes for small and medium business financial support. Priority and more favorable conditions for the financial support are provided to entrepreneurs working in the field of R & D, innovation, expansion and modernization of production, introduction of solutions aimed at improving energy efficiency, internationalization etc.

A significant trend of European SME policy is total computerization of relations between public authorities and economic entities. These relationships involve the use of e-government, e-procurement and payments, e-signatures, e-commerce, e-infrastructure for RD & I cooperation and training, as well as e-business support that meets the principles of "sensitive administration", public procurement, entrepreneurship and internationalization of the common market. To increase the innovative potential of SMEs, which has a direct impact on the export potential and SMEs competitiveness the European Commission and national governments support the Centers of Innovation as a kind of service of innovation, which combines technological and regulatory components. The state procurement at all levels is used as additional support for SMEs innovation [6].

**Conclusions.** Summarizing the above mentioned provisions we can assert that the main current trends in the development of SMEs are as follows: strengthening their role in generating value added and employment; spread in almost all economic sectors; dominance in manufacturing (26%), trade (19%), business services (10%); awareness of the need for internationalization of economic activity and innovation enhance; implementation of a comprehensive financial and information support of SMEs both at national level and at the level of the European Union as a whole.

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Надійшла 21.08.2015