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GLOBAL ENTREPRENEURSHIP AT THE TURN OF THE MILLENNIUM

Structural changes in the economy, its social and technological orientation – perhaps the most important and at the same time the most difficult strategic tasks of the development of society.

These questions are especially relevant for post-socialist countries, which were objectively and forcibly placed in the conditions of transformation by a total systemic crisis of the administrative-planned economy. However, the processes of restructuring and strategic economic reorientation require a long time, significant investment resources and, perhaps most importantly, an adequate state policy. At the same time, unfortunately, there are no final recipes proven by practice or experience of the transition from team to market conditions based on final results. Therefore, the problems of structural transformation in the complex, as well as the development of all its components, naturally become leading in modern economic science.

Fundamental and applied scientific research on the influence of the main factors of the external and internal environment is primarily necessary for the exit of the national economy from a state of imbalance and deformation. Only the scientific base, theoretically grounded and practically tested under the circumstances of the crisis and the lack of opportunities for «experiments» with the right to make mistakes, should become the foundation of the national economic policy, the definition of the model of the effective structure of the transformation of the «transitional economy» at the macro and micro levels. Finally, achieving a balanced structure of social production and deepening the processes of its internationalization must necessarily take into account the scientific analysis of the consequences of structural transformations in foreign countries.

Within the general framework of market transformation, small and medium-sized enterprises are singled out. They rightly occupy one of the leading positions in the formation of the actual mechanism of self-development in the market. After all, in conditions of destabilization of the economy and limitation of financial resources, firstly, business entities that do not require

large initial investments are able, with certain support, to solve the problems of demonopolization in the fastest and most effective way, to stimulate the development of economic competition.

As experience shows, the new wave of small entrepreneurship covered primarily the USA, then spread to Western Europe, Japan, and other industrialized countries. Among the most important reasons for raising entrepreneurial activity to a qualitatively new level were: the removal of administrative and legislative restrictions accumulated over several decades (deregulation), the activation of the policy of tax and financial stimulation of entrepreneurship, the new government line on business-to-business relations (encouragement of scientific and industrial cooperation, opening of national economies for the penetration of foreign business, etc.), tax and administrative reforms – all of which opened new fields for small businesses and opportunities for applying entrepreneurial initiative. The rapid development of strategic management, which has an entrepreneurial nature, has created favorable development opportunities at all stages of the life cycle, both in the world of big business and for small companies.¹

The increasing informatization of social life gave an impetus to the growth of small firms that provide information services (especially with the help of computer networks). It was accompanied by the emergence of new industries with highly specialized production processes that can be provided only by small enterprises. In general, scientific and technological progress required constant updating of the nomenclature, which is optimally possible at enterprises capable of dynamically changing technology or its parameters.

A gradual shift in demand from real goods to various services was observed, and new services and needs for them appeared: business consulting, information (computer) support, new types of household services, medical, educational and social services, which have always been traditional fields of activity for small enterprises.

In the 1980s and the first half of the 1990s, following Great Britain, more than 100,000 state-owned enterprises were privatized in more than 100 countries around the world, not including hundreds of thousands of small shops, service companies, and agricultural farms.

In Western Europe, this process is particularly active in France, Germany, Austria, Italy, Sweden, Greece, Portugal, Spain, etc.² Privatization, especially small

1 Gerasimchuk Z. V. (1998). Problems of small business development in Ukraine. *Finance of Ukraine*. 9. 110–115.

2 Shpak V. I. (2003). Development of small business in Ukraine. Kyiv : MAUP. 124 p. P. 19.

businesses, has become one of the main factors in the formation and growth of small businesses in Central and Eastern Europe.

Since the end of the 1970s, a powerful network of entrepreneurial education and small business promotion began to unfold here, which testifies to the highest preparedness and orientation towards modern forms of small business in the history of developed countries.

The rise of small businesses took place most intensively in the fields of the latest technical and technological changes related to innovative activities and information technologies.

In general, since the end of the 1980s in developed countries, the rapid growth of the venture capital market is clearly visible, the diversification of financial institutions is increasing, which expands the possibilities of financing a new type – venture business. Thus, according to the “Scientific Indicators” published by the US National Research Bureau, over the past 20 years, small firms have created four times more scientific and technical innovations per \$1 spent on research and development than large firms. At the same time, costs for specialists at small innovative firms were half as much, and four times more innovations were produced per employee than at large corporations.³

An important point was the development of the information infrastructure of small businesses by expanding the access of citizens and organizations to information in state bodies, strengthening the patent-licensing system, developing a network of data banks, etc. The emergence and rapid branching of a network of organizations specializing in new business production (incubators, innovation centers) and market infrastructure maintenance were observed.

In global practice, the majority of small companies are one way or another connected with big businesses, and the growth of cooperation between small, medium and large enterprises is a characteristic trend of modern economic development.

The vast majority of small and medium-sized enterprises worked “on behalf of a large company”. That is, we are talking about the so-called “satellites” – SMALL ENTERPRISES, which are subordinated to LARGE ENTERPRISES, which, in turn, are divided into dealers (distributors of products for large companies) and subcontractors (manufacturers of products for large companies). So, in this way, the production process was decentralized; its individual phases were transferred to the small business enterprises on the basis of subcontracts.

3 Gerasimchuk Z. V. (1998). Problems of small business development in Ukraine. *Finance of Ukraine*. 9. 110–115.

For example, out of the 50,000 suppliers of the Siemens concern, two-thirds were small and medium-sized companies.⁴

The most common modern form of integration for large and small businesses is franchising. This form allows a small enterprise to function as a separate, independent unit, but according to stipulated rules. The “Franchise”, as a rule, receives the right to produce products under the “Franchise” brand, own know-how, undertakes to adhere to established standards for the production and sale of goods (services). For example, in the USA, over 30 years from the 1960s, the number of such firms increased by 41 %, and the amount of sales – almost 6 times. A similar trend was observed in other Western countries.⁵

Franchising in the conditions of a separate industry in relation to the actions of small enterprises was implemented as:

- limited form of creation of small enterprises for the sale of goods on behalf of the enterprise, association;
- corporate form: connection of a small enterprise to the full cycle of financial and economic activity of a large firm.

With the expansion and development of their personal material base and the improvement of production, small enterprises left the franchising system and became completely independent.

In addition, according to their status, small enterprises could be completely independent. But in this case, they functioned, as a rule, in highly specialized industries and owned a significant market share of one or another specific product. Large enterprises did not compete with them, since it is unprofitable for them to operate in markets with a sales volume of less than 20 million dollars.⁶

Small business is an important factor in reform and democratization in countries with transition economies. Researchers note its leading role in building a market economy and raising the standard of living for the population. At the same time, small business is an important factor in the structural restructuring of the economy, the development of its new branches, and a school of entrepreneurship that provides effective management skills and creates creators of new businesses and new ideas. It is at the core of the process of democratization of society as a whole.

4 Shpak V. I. (2003). Development of small business in Ukraine. Kyiv : MAUP. 124 p. P. 20.

5 Kubay N. E. (1999). Formation and development of private entrepreneurship in a transition economy (on the example of small enterprises of Ukraine). (Doctoral dissertation).

6 Reverchuk S. K., Krupka M. I. (1996). Anatomy of small business. Lviv: Dialogue.

Developing civilized competition and contributing to the qualitative growth of the technological level during the transformation of socio-economic systems, small business has proven its important social role, in particular, becoming a source of employment for those released during the restructuring of inefficient national economies. For example, in the Czech Republic in the mid-1990s, about 23 % of the working population were registered entrepreneurs, and one third of them worked in the small business sector.⁷

Small businesses gave impetus to the development of new forms of business, for example, leasing and franchising, because small businesses are their traditional participants and subjects.

In the countries of Central and Eastern Europe, small businesses have demonstrated their important role in overcoming crisis phenomena, primarily in stopping the decline of Gross Domestic Product and ensuring its growth.

For example, during 10 years of restructuring in Poland, the share of the private sector in GDP increased from 25 % to 55 %, in Hungary from 7 % to 55 %, and in the Czech Republic from 0.5 % to 60 %.⁸

During the structural restructuring, when state production was reduced at an impressive pace, private entrepreneurship was the only growing sector in the economies of Central and Eastern Europe. Thus, from 1990 to 1999, its percentage, for example, in the Czech Republic, increased from 12.3 to 54.9. There is also an unprecedented increase in the number of entrepreneurs – from 17,000 people in 1990 to 124 thousand in 1991 and over 1 million in 2000.

However, it should also be pointed out that there are certain aspects of small business in which it loses compared to large companies.

Thus, the volume of business limits the opportunities for a small enterprise to make investments. In this regard, in order to implement innovative ideas, companies are often forced to sell their business to large enterprises.

Due to the lack of sufficient resources (financial, material, and human), small enterprises are often unable to solve large-scale technical tasks. In the sphere of small business, instability is more actively manifested in crisis situations. For example, in the US, 65 % of enterprises have up to 20 employees disappeared in the first four years of existence, and every fourth firm went bankrupt in the first year of operation. After a decade, no more than 5 % of small enterprises remain on the market. For comparison, in the field

7 Defillippi R. (1995). Small Business Development in the Czech Republic . *Review of Business*. 3. 4.

8 Pivnev E. (1996). A very small business . *Law and business*. 51. 2

of big business, this indicator is only 37 %.⁹ However, it should be noted that bankrupt enterprises did not disappear without a trace; their capital was mostly directed to other spheres of activity.

Small businesses lose a bit in social terms as well. For example, in economically developed countries, small enterprises have a slightly lower level of wages, less financial support, lower insurance amounts in connection with illness, a much lower level of protection of industrial interests through trade unions, etc.

Thus, comparative data on small and large US firms in percentage terms show that workers who received wages of less than \$5 an hour were 59 % vs. 38 %, the availability of pension coverage was 29 vs. 85, respectively, health insurance was 46 against 84, and trade union members were 9 against 30 %.¹⁰

When analyzing the general problems of small business development in Ukraine, three main groups of them are often identified. Firstly, it should be noted the so-called “universal” obstacles inherent in the general development of small entrepreneurship, including for developed economic systems – these are the problems of business financing, access to loans, and sales of products. The second group of problems is determined by obstacles common to transitional economies – the result of political and economic transformation, which is accompanied to one degree or another by changes in the “rules of the game” (the result of the formation of national legislative bases in the economic sphere, the formation of tax systems, market infrastructure), etc. The third group is specific, inherent, in fact, to domestic entrepreneurship, resulting from the peculiarities of the national conditions of its development, state policy and macro- and microeconomic levels.

It is clear that the proposed classification is very conditional, because “national specificity” will be decisive in each of the above groups.

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9 Shpak V. I. (2003). Development of small business in Ukraine. Kyiv : MAUP. 124 p. P. 22.

10 Reverchuk S. K., Krupka M. I. (1996). Anatomy of small business. Lviv: Dialogue.