

Preface

This book is a collection of chapters representing the development of SME thinking of the authors. A preface will perhaps be useful in order to indicate what the principal questions that are to be discussed are, and how they are connected. Therefore, the preface provides an abbreviated overview of the essential content of this book in a very condensed form.

THE CHALLENGE

The original objective of this book was to create a unique SME Toolkit to help small businesses expand globally by providing detailed elaboration of optimizing all main management functions such as working capital and marketing, with guidance on how to implement sustainable business management practice. The book is multidisciplinary in nature and considers a wide range of topics, each of which is related to *Optimal Management Strategies in Small and Medium Enterprises*. Therefore the publication broadens and expands on existing business optimization knowledge and assists SMEs with theoretic and practical examples on how to achieve and sustain business performance by implementing optimal and holistic management models allowing real time monitoring and corrective actions alike. Academically scholars will also be able to use the book with Hands-on learning, more formally known as Experiential Education, reflecting a teaching philosophy that promotes learning by doing. The strategy allows students to practice guided tactile learning in which they absorb knowledge of management not only by listening, but by experiencing. Experiential learning is becoming praised as a top teaching method by higher educational institutions, especially those in the fields of economic science and management.

As frequently happens when academic and business terms confront, there is necessary discussion about the precise meaning of the term optimal management strategy. I did not attempt to restrain this reflection, as it would be early and unnecessary to expect full agreement in this emerging area. Several chapter authors offered possible meanings for the term so I have no intention of forcing a single definition; however, a review of the proposed definitions suggests that optimization demonstrates several key features. Having said that, I provide the following definition stemming from contributions of chapter authors:

An optimal management strategy in Small and Medium Enterprises is an alternative or approach that best fits a business situation, makes use of all available information, employs assets in the most efficient and effective manner which yields the highest possible return under the circumstances and creates sustained value for shareholders.

Preface

This book is particularly unique in several distinct ways. The target audience of this book includes SME managers, professionals and researchers working in the field of SME development in various disciplines, e.g. management, economics, education, adult education, library, information and communication sciences, administrative sciences and sociology, computer science, and information technology. Moreover, the book provides insights and supports executives concerned with the management of expertise, knowledge, information and organizational development in different types of work communities and environments directly and indirectly related with SMEs.

The book is organized into 17 chapters based on three sections of optimal management strategies.

All chapters relate to practical optimal management in SMEs. In the first section, the six authors have examined various tools, techniques and technologies illustrating how marketing, market orientation, regulatory and policy issues contribute to optimal management. The next four chapters focus on the challenges associated with the role of pricing, finance and insurance in optimal SME management. The third final section involves seven chapters dealing with strategic aspects of optimal management such as knowledge management, structural change, process management and open innovation. Together these three sections provide an interesting overview at how SME managers, professionals and researchers may use opportunities and threats to accomplish their mission, vision and strategy. Obviously, like with any emerging field of science, there will be controversies; however, wise SME leaders will exploit these dilemmas to create real and best value. Ultimately, the authors hope that academics will benefit from the research and future lines of enquiry.

SECTION 1: SME OPTIMIZATION TOOLS, TECHNIQUES, AND TECHNOLOGIES

In Chapter 1, Marcin Soniewicki establishes the significance of the role of market orientation in creating competitive advantage of small and medium companies and uses the data from an empirical quantitative study conducted by the author in which more than 1,274 companies from Poland were examined. In the first section the chapter provides and elaborates on relevant literature with thorough presentation of the concept of market orientation. This is followed by explanation of its importance for small and medium companies. The second section presents methodology of this empirical study. The third part presented the market research results and finally brought are conclusions and practical advice for contemporary small and medium enterprises on the importance of market orientation concept.

In Chapter 2, Maria Giovanna Tongiani and Sheng Zaho discuss the significance of the traditional Italian food products in the Chinese Market and offer the best practice for small and medium Italian enterprises. The chapter argues that despite the importance of these products, a lot of confusion still exists among consumers with regard to this concept. This is why two surveys of 350 Chinese consumers were conducted by the authors who conclude that traditional products have acquired an important role in daily consumption, becoming a topic of study and research for numerous scholars. A recent study conducted in six European countries also demonstrated that consumers perceive a strong link between traditional products and their territory of origin in historical and cultural terms. Therefore, traditional products are considered all typical agri-food products, the result of which is characterized by a collective and localized historical process of accumulation of contextual knowledge based on a combination of specific territorial resources of a physical and cultural nature that creates a strong, unique and inimitable link with the territory of origin.

In Chapter 3, Nurul Aida Abdul Malek and Josu Takala illustrate the application of regression analysis for green practices participation among 170 small and medium sized companies in Finland. The authors discover that mostly large firms emphasize this area while SMEs remain underexposed. Their research explored how the SMEs reacted toward the driven factors of their behavior to participate in sustainable practices. The implications of the study can be beneficial by SMEs and large-sized companies as well as governments who always strive to improve the environmental performance along the value chains. Based from the research results, the influential factor of willingness to participate in green supply chain among SMEs is significantly associated by SMEs readiness. Although also correlated, financial performance, buyer practices and government involvement have not heavily determined the SMEs motivation to participate in green supply chain. The study found that companies with high level of awareness related to environmental concern, have human resources to deal with environmental issues and are implementing environmental management systems have a significant motivation to take part in green practices.

In Chapter 4, Silvena Yordanova considers how optimizing virtual communities in tourism facilitates development of small and medium-sized enterprises and argues that the Internet has revolutionized the whole world including the way SMEs operate in this sector of the economy. The author defines virtual travel communities (VTC), further examines their current significance for SMEs in the available literature, presents type and characteristics of the most popular virtual travel SME communities and discusses strategies of applying virtual communities by selected hospitality SMEs. It is expected that in the future many more SMEs will use the economic benefits of sustainable travel by applying virtual communities in their business models particularly for smart travel tech for SMEs business trips, optimal travel management and online booking strategies for SMEs, SME contract for car rental, airline ticket, hotel and ticker pricing strategies. Finally, this chapter analyzes and recommends for further consideration the use of VTC for SME travel agency optimal marketing strategy.

In Chapter 5, Olgica Milošević provides a critical review of SME regulation optimization in Serbia with reflection on harmonization with European Union law. The central part of her chapter discusses whether and how company law enables or hinders SME growth and development. Key principles addressed involve the essentiality of the intention to demarcate SMEs as companies from the so-called institutions, the principle of equality of companies in easier market access, the principle of tripartite interest position of the majority / minority owner, creditors / employees, the principle of compatibility of legal forms of companies, the principle of strengthening the legal institute of liability of members of the management body, controlling members and shareholders, the principle of transparency of companies' operations, the principle of modernity and sophistication of legal institutes and the principle of liberal enactments. The author also analyzes important facilitating and restrictive factors of corporations of interest to SME development and contemplates new legal forms of business organization for SMEs.

In Chapter 6, Peter Malega presents Small and Medium Enterprises in the Slovak republic with their status and competitiveness of SME's in the global markets with elaboration of possibilities of optimization. It can be noted that SME development is one of the priorities of economic development of Slovak economy. The most important factor of this development is the creation of an appropriate business environment, which can benefit from simplification and clarification of legislation, reducing administrative, social contributions and the tax burden, reinforcement of infrastructure and improvement of access to capital. Different other factors also participate in the development of entrepreneurship such as state support, investments related to costs and operation of the businesses. In the Slovak Republic small and medium enterprises have an irreplaceable role particularly in job creation and regional development.

SECTION 2: OPTIMAL PRICING, FINANCING, AND INSURANCE MANAGEMENT STRATEGIES FOR SMEs

In Chapter 7, Mariusz Maciejczak and Adrian Słodki elaborate initial price strategies of Polish micro and small enterprises conducting research on a sample of 153 Polish micro and small enterprises. An application of game theory for industrial organization of SMEs sector is then discussed. It is argued thus, that entrepreneurs can have different visions about their company, but they usually have the same goal: to generate profit and try to eliminate competitors. In achieving that goal, the game theory seems to be a reasonable tool to use in establishing initial price strategy. For solving the model there was used maxmin strategy, which maximizes the worst-case scenario from the game. As a final conclusion one can stress that there is a real chance that, if entrepreneurs would analyze their initial price situation with respect of game theory, their strategies would be more accurate and provide better outcomes.

In Chapter 8, Milan Vemić examines working capital optimization in medium-sized enterprises and tries to quantitatively - qualitatively synthesize and upgrade existing theories and practices of this field followed by practical optimization examples for financial decision making under uncertainty. The theory and practical examples in this chapter are supported using several scientific approaches including the Laplace, Wald, Hurwicz criteria, the Savage minimax regret criterion and Bayes' criterion. The author further develops a structural model with a mathematical notation, elaborates risk and uncertainty in stock exchanges for medium-sized enterprises. After discussing specific development constraints and opportunities he provides a codification of working capital combinations and desired changes in order to attain sustainable development of these business entities.

In Chapter 9, Katarina Ivančević elaborates insurance as an optimization tool for risk management in business operations of small and medium-sized enterprises. The author argues that insurance business has a number of important social functions in the market all over the world. Through the transfer of an individual risk to insurers it contributes to the security and stability of economic entities and business operations. Risk management in the context of SMEs can be well set and carried out but it is still not a total guarantee against occurrence of an SME business crisis and possible detrimental effects. Once an SME manager obtains relevant information from brokers about the level and extent of the risks to which it is exposed, and who is eligible for insurance, he or she will be able to use such information for strategy coordination and optimization. It is realistic to assume that growth of insurance coverage in SMEs would contribute to the stability of their business. Further, it is expected that the conclusions and recommendations of this study will indicate possible directions for further development of risk management optimization in SMEs.

In Chapter 10, Milan Vemić approaches financial innovation in medium-sized enterprises in developing their growth opportunities for gravitation towards formal stock exchanges. In fact, significant amount of attention is given to the steps by which exchanges could get involved in this process. Practical and theoretical SME finance issues are elaborated in such a way as to point out the interconnection between medium sized firms and exchanges in order to demonstrate that each new source of finance is either based on growth or innovation or else follows logically from the previous stage of development in the firm life cycle. Financial innovation is defined both in the narrow sense of the word and within a broader approach of the author which is followed by a codification and typology of modifications and changes aimed at solving the problems of financing.

SECTION 3: OPTIMAL STRATEGIC MANAGEMENT FOR SMEs

In Chapter 11, Binod Timilsina elaborates on the current practice of strategic planning, with an online survey of 36 Finnish SMEs. From practical view point potential solutions in overcoming the identified barriers have been proposed. For strategy the author particularly emphasizes the resource based view (RBV) and industry organization theory (IO) which have been widely recognized not only as a tool to differentiate the performance difference between competing firms but also as a foundation for a firm's strategy. The chapter also classifies the competencies of a good strategic planner offering practical examples how a strategic leader or manager can enhance their practice of strategic management. Conclusions of the research argue that results and findings of this study will assist managers of SMEs and strategic planners in improving the practice of strategic management, hence in improving organizational performance in a changing business environment.

In Chapter 12, Aleksandar Damnjanović explains how significant knowledge management optimization becomes through IT and e-business utilization. The author conducted a research on a sample of 137 Serbian SMEs. Statistically tested and confirmed were the hypothesis that optimization of SMEs business through IT and E-business had a positive impact on competitiveness in the observed research period. The author concluded that competences of the employed and of managers in the field of ICT, their knowledge and their computer skills are key factors for the enhancement of companies' competitiveness generally and especially for small and medium-sized enterprises. It is conclude that the greatest positive effect of investments into innovations and new information technologies in relation to the consumers will also be obtained if the discussed approach is pursued.

In Chapter 13, Julia Stefanova and Zachary Wenner discuss financing socially innovative enterprises in various EU approaches and instruments. Authors explain that the EU has increasingly prioritized three forms of economic expansion: "smart growth," which favors scalable expansion, "trans-border" innovation and economic diversification, "sustainable and inclusive growth," which promote environmental sustainability and diffuse economic access using a variety of financial engineering instruments" for SMEs. Also discussed is EU VC Program which seeks to increase capital access for SMEs in environments of highly constrained bank lending with limited availability to alternative finance. In conclusion it is stressed that a system that links capital access to the materialization of social outcomes will advance the goals of the EU only to the extent that it bolsters the social impact, financial sustainability and scale potential of SMEs. As ad hoc and exploratory development strategies give way to more systematic approaches, there exists an invaluable opportunity to highlight the financial engineering instruments and SME types that will drive the development of a smart, sustainable and inclusive economy.

In Chapter 14, Lidia Sanchez-Ruiz and Beatriz Blanco analyze and compare process management in SMEs focusing on barriers, enablers and benefits with empirical evidence from 68 companies in Cantabria, Spain. In recent decades, globalization has led to changes in market conditions. Thus, now companies have to deal with more dynamic environments characterized by a fierce competition, better informed and more demanding customers, greater importance of the product/service quality, or greater awareness on the environmental and social issues they face. According to the authors process management could be seen as a mechanism that arises to meet the new business environment requirements, giving the company the flexibility to develop their business in today's competitive environment, and leading the company towards business excellence.

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In Chapter 15, Olja Arsenijević, Drago Orčić and Edita Kastratović discuss intellectual capital which has become a subject of serious study, in the last twenty years. Values began to be noticed that were not enumerated in the classic financial statements. Science and practice were seriously researching the concept of intellectual capital management, to increase its value. The authors examined the methods for measuring intellectual capital in the companies, in order to establish measurable targets for stakeholders. A newly created tool is provided for optimizing intellectual potential in SMEs, verified through pilot research in the examined Serbian economy reflecting manufacturing and services activities. This contributes to the finding that intellectual capital is present, measurable, and can also be optimized in SMEs in Serbia.

In Chapter 16, Robert Molnar elaborates Optimizing Structural Change Management in Sustainable SME Development. One approach in investigation of the SMEs offered by Molnar is life cycles in respect to their structure, functions and behavior. Once SMEs have been established they start to change both their own structure and own behavior. So, it could be stated that SMEs operate in permanent changes which originate both internally and externally. The author argues that there are a lot of factors which influence these changes and optimizing their management is a great challenge for most SMEs. As a result, and strongly dependent on success of SMEs management, numerous statistical evidence discussed by the author show that less than a half of established SMEs survive more than five years.

In Chapter 17, Hosein Daneshpour reviews integrating sustainable development into portfolio management through application of open innovation. The author explains that the idea of integration of sustainability into project management has been coined and requires a more comprehensive and holistic approach in project management the complexity of which increases. Therefore, organization of project management needs a capable framework that opens up the traditional organization of project business and provides competitive advantages. This study argues that, open innovation model presents a proper capability to cope with this issue. This research, coupled with a sound review of literature, explains why and how open innovation can provide a fruitful contribution for the integration of sustainable development into project portfolio management.

Obviously, all authors have carried the theory and practice far enough to show that we can explain the essential features of *Optimal Management Strategies in Small and Medium Enterprises*.

Such a theory is now capable of having a new empirical content, especially in connection with the domain of main topics in this book. Moreover, we have seen that this type of theory opens up new possibilities for further development. Of course, the SME theory as elaborated here is far from complete. All of this will be published later and elsewhere. This leads to an indication of some lines of research along which it may be possible to meet the urgent challenge to develop a more comprehensive SME strategy theory.

Nevertheless, even in its present incomplete form, the theory of *Optimal Management Strategies in Small and Medium Enterprises* does answer the basic criticisms of those who regarded such a theory as impossible, or who felt that it could never concern itself with any real empirical problems in real economic and business life. SME questions and challenges are, of course, enormous and could in any case probably never be resolved ultimately and completely. At the very least, the book does seem to throw some light on a number of such researched problems.

Finally, it is hoped that the presentation of research and concepts in these chapters may help to convey to the reader how the subject of *Optimal Management Strategies in Small and Medium Enterprises* itself has actually developed, so that the form of the book is, as it were, a demonstration of what may be meant by the content.

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