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PARTNERSHIP RELATIONS IN THE FIELD OF SMALL BUSINESS: REGIONAL ASPECT

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Abstract

The article analyzes and summarizes the regional experience of partnerships in small entrepreneurship. Four types of partnerships are identified and considered: 1) partnership of the business community and authorities; 2) public-private partnerships; 3) partnership of small and large businesses; 4) partnership of small and medium – sized business. Based on the results of surveys conducted among entrepreneurs of the Belgorod region, partnerships between business enterprises and authorities are carried out primarily through direct business contacts, participation in joint meetings, round tables, and written communications. Personal contact plays an important role. At the same time, the use of business associations and external organizations while defending employer interests are law-productive. Particular attention is paid to public-private partnerships – a promising organizational and managerial form of interaction between authorities and business in order to implement socially significant regional projects. The use of public-private partnerships makes it possible to mobilize resources for successful implementation of projects, reduce lead times, and reduce risks due to their distribution between a private partner and the authority. The development of partnerships between the subjects of small and medium-sized businesses is related to activities of public organizations and small enterprises. At the same time, it is necessary to strengthen the timeliness and sufficiency of information about these organizations, diversify the profile of the activities of these organizations, and improve the quality of the services provided.

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Keywords: Region, small businesses, partnerships, public-private partnership, the business community.



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1. Introduction

The development of partnerships in small entrepreneurship is one of the strategic objectives arising from the necessity to integrate the efforts of power structures, private business, civil society institutions in order to implement socially significant projects on mutually beneficial conditions with minimizing the risks of all interested parties. Therefore, there is a need to develop evidence-based measures to initiate partnerships. Partnership is a rather productive model, as it allows achieving the management effect not by “harsh” administrative measures, but by harmonizing, balancing the interests of management entities, finding internal reserves in the process of implementing the goals. In the establishment of partnerships integrates organizational, managerial, financial, information and other resources.

2. Problem Statement

In this article we set the following tasks: firstly, the description of the regional experience of partnerships in the field of small business (based on the materials of Belgorod region); and secondly, a sociological analysis of the employer’s opinions on the state and prospects of partnership development in the region.

3. Research Questions

It is evidenced by the current practice of development of small business in modern Russia that in this field a broad network of partnership relations was formed that have a significant influence on the nature and effectiveness of business activities. This network includes the following types of partnerships:

- partnership of the business community and the government;
- public-private partnership;
- partnership of subjects of small and medium-sized enterprises, on the one hand, and large business, on the other hand;
- partnership of subjects of small and medium-sized business.

4. Purpose of the Study

The purpose of the article is to analyze and characterize the main types of partnerships in in small entrepreneurship in relation to the Russian region (mainly to the Belgorod region).

5. Research Methods

The article uses institutional, systemic and structural-functional approaches, which allow analyzing comprehensive condition and the development of partnerships in small entrepreneurship in the Russian region (Belgorod region). The results of annual monitoring conducted from 2008 to 2016 were used. The Belgorod Regional Fund for Support of Small and Medium Enterprises among small businesses (n – from 200 to 350 respondents), as well as the results of in-depth interviews conducted among participants of the Belgorod Interregional Forum in 2016 (n = 20).

6. Findings

The establishment of constructive relations between government and business in modern Russia is possible by means of the development of such a strategy of interaction, that would take into account needs of both the socio-economic modernization of the country and its socio-cultural component. The specificity of the historical development of the country and peculiarities of the system of values of Russians, make actual the model of a “strong state” which regulates the relations in the economic field and controls key fields of economy, which are of strategic importance for the country. At the same time, the government should provide more considerable support to both large companies at the international level, as well as small and medium-sized businesses at the country level. The success of improving the system of cooperation between business and the authorities depends also on the establishment of appropriate mechanisms and institutions of interaction between businessmen and the state, in particular it depends on the institutionalization of lobbyism and consolidation of employers into associations, which are capable of active positioning at the federal and regional levels and on the real protection of the rights and interests of entrepreneurs. Exactly the development of partnership relations between business and government nowadays can become a guarantee of further modernization of the Russian economy and of increasing of overall level of democracy in the country (Rebets, 2011).

Partnership is a fairly productive model, because it allows reaching the effect of control not by “hard” administrative measures, but by the way of concordance, harmonization, the balance of management subjects interests, mobilization of inner reserves to the process of achievement of its goals. During the formation of partnerships, organizational, managerial, financial, informational and other resources are integrated.

We should notice, that entrepreneurs of Belgorod region we interviewed prefer following forms of relations with the authorities (in %):

- direct business contacts – 57,6;
- participation in conferences, meetings, round tables – 57,0;
- interaction by means of the business community – 11,0;
- written requests, etc. – 33,0.

Forums “Small and medium business of Belgorod region”, which are held every year, have become a broad platform for constructive dialogue of the business community and authorities. Traditionally, it is saturated by business program, meetings of the regional authorities, and the Belgorod Regional Duma’s deputies with representatives of small and medium-sized businesses. In 2012, the Forum brought together in their business activities more than 500 entrepreneurs, business leaders and professionals. There were more than 15 congress events during the four days of the forum, including the Inter-regional conference “Small and medium-sized businesses – is a key factor in ensuring social stability of economic development. Financial support for entrepreneurship. Looking into the future”, a round table «In the dialogue with the authorities "about the problems of small and medium-sized businesses, the round table "Protection of Intellectual Property", results of the competition "Entrepreneur of the Year", consultations of employment centers, banks, credit organizations, presentations and workshops, meetings of business representatives of Belgorod and Kharkov regions.

In the process of doing business, the subjects of small and medium-sized business interact with an extensive network of institutions, which have a supervisory role in various aspects of entrepreneurship. Judging by the results of the opinion poll, 91 % of respondents consider personal contact the most effective way of interaction between small and medium-sized business and local authorities, as well as public and collective interaction. However, the use of business associations and other organizations in the protection of their interests, entrepreneurs consider unproductive.

Based on the analysis of the research results, there was estimated the frequency of inspections of small and medium-sized businesses, as well as identifying problems, which are faced by entrepreneurs in the implementation of inspections by the supervisory authorities. According to the respondent's opinions, verifications by the supervisory authorities are no more a problem that prevents productive work of region enterprises. Decrease in their number is connected with the adoption of the corresponding of regulations and standards, reducing administrative barriers for small and medium-sized businesses.

Many important tasks, including those connected with anti-corruption are solved by means of partnership of the business community and the government. So, in 2011 was signed an agreement between the Department of Economic Development of the region and the Belgorod regional branch of the Russian public organization "Center of counteraction of corruption in government», and according to this agreement, under the terms of co-financing from the regional and federal budgets for the implementation of the program activities of the public organizations, there were given the subsidies in the amount of 350 thousand rubles. This step has already become the next one from the authorities to support non-profit organizations in the region (Busin, 2012). At the end of 2010 a regional competition was held, according to resolution of the government of Belgorod Region "On approval of the long-termed target program «Support of socially-oriented non-profit organizations in Belgorod Region» (Belgorod Government, 2011a) and the decree of the regional government «About the competition of socially oriented non-profit organizations for the right to receive subsidies in 2011» (Belgorod Government, 2011b). And that was a first step. According to the results of the Commission, Belgorod Regional Office (BRO) of All-Russian public organization "Center of counteraction of government corruption" has become one of the winners. This public organization performed a project "Partnership against corruption in Belgorod region". The program's purpose is to consolidate in Belgorod region on-profit and commercial organizations, individual entrepreneurs, and mass media together with state and local authorities and to reduce the level of corruption displays in the region. In the context of its implementation it is planned to unite the forces of civil society, to form the intolerance to corrupt practices, to eliminate the conditions that give rise to them. The program is realized in several phases, and one of them can be conclusion of the Agreement on the participation between the "Center", non-profit and commercial organizations, individual entrepreneurs and local media.

BRO organization "Center of counteraction of government corruption" was registered in March 2009, the public reception of the Department was opened in August of the same year and for the period of work (2009–2010) it has received more than 700 complaints from citizens and legal persons. They were provided with practical assistance in resolving of raised issues.

It should be noted that the regional department of anti-corruption established good working relationships with regional, municipal administration, a number of district state administrations and law

enforcement agencies. For the efficient solution of the raised issues organization was provided with some phone numbers of the executive officials of regional and district state administrations. They are used for the efficient solution of the emerging issues of citizens' complaints. Seven representatives of the Department, which are approved by the Supreme Arbitration Court of the Russian Federation arbitration court assessors of Arbitration Court of the region and participate in the investigation of arbitration cases; 14 members of the Department in the end of 2011 improved their qualifications in the Russian Academy of National Economy and Public Service under the President of the Russian Federation by the program "Public associations of counteraction of corruption".

Public-private partnership (PPP) is closely connected with establishment of partnership relations between business community and authorities. Broadly speaking, PPP is an institutional and organizational alliance between the executive authorities and business in order to realize social programs.

The basic principle of public-private partnership is that the state determines what services and what infrastructure it needs and private investors give suggestions that must satisfy the requirements of the state in a greater degree.

The term "public-private partnership" has appeared only in recent years in the Russian legal practice in view of discussion of questions about the necessity to attract private capital and experience for the development of various spheres of infrastructure (primarily housing and communal services and transport).

As practice shows, the use of mechanisms of public-private partnerships can provide:

- possibility of realization of socially significant projects, which are unattractive to traditional forms of private financing, in the shortest possible time;
- improving the efficiency of projects through participation of private business, as a rule more effective on the market than the state institutions;
- recovery of market conditions and the growth of investment attractiveness of the regions;
- the load reduction on the budget by attracting private funds and shifting of costs on the users (the commercialization of services);
- optimization of the financing structure by means of the use of national and (or) international support and expand access to new sources of funding;
- attention concentration of the government on the most peculiar to them administrative functions;
- reduction of public risks by means of their distribution between the private partner and the authorities;
- the ability to attract the best managerial personnel, equipment and technologies;
- improving the mechanisms and models of service delivery, improving the quality of end-users services (Adair & Adaskou, 2018).

The mechanism of public-private partnership is used in a realization of pilot innovative project "Creation of the industrial park «Northern», where will be at least 25 small and medium-sized manufacturing innovative enterprises. The works for the construction of business incubator of energy saving technologies on the territory of industrial park are completed, to accommodate small innovative

production companies, specializing in the field of energy saving. An administrative energy-efficient building of business incubator was built, the installation of ventilation and heating equipment, including ground collector was completed. In the year 2011 on the realization of these projects the funds of the regional and federal budgets in the amount of 365 million rubles were used.

As part of the development of public-private partnership, administration of Belgorod region, together with local authorities and other concerned structures is going to do the following:

- to expand the opportunity and improve efficiency of the use of state and municipal property for the development of the productive activity of the subjects of small business;
- to improve the financial and credit support by means of creation of credit cooperatives (which are similar to those credit consumer cooperatives of citizens), the creation of mutual credit societies, which will be able to borrow from banks and to provide loans to small businesses on a returnable basis for investment projects;
- to expand the system of financial leasing for the acquisition of equipment, including those that operate at the regional and municipal property;
- to carry out the working of an effective mechanism of state guarantees to provide the sharing of risks between the government and banking institutions, i.e. organizational problems of interaction of small business with market and the state structures;
- to activate the involvement of small enterprises to carrying out the regional and municipal contracts in various sectors of the economy;
- to form the non-profit partnership of specific and territorial character within municipal formations;
- to improve the system of educational support and staffing of small business.

Besides public-private partnerships, partnerships of small, medium and large businesses become increasingly important.

At present, there are problems in closer cooperation between small, medium and large businesses in the production sphere. Main disadvantages are: delays in payment; failure to comply with conditions of product quality between parties, delivery time; uncoordinated price increases; non-compliance of the production technology; unfair division of responsibilities, risks and profits between the customers and executors of production orders (Rylska, 2017). Particular difficulties arise in the field of innovation activity. Small business, having increased innovation activity, is interested in a quick development cycle and implementation of new technological solutions. However, due to the well-known problems large enterprises are very reluctant for their implementation and mass production. It is necessary to create favorable institutional environment for mutually profitable interaction between small and large businesses in the sphere of production.

The partnerships of small and large businesses provide competitiveness of products and services, which is one of the suppositions of their interaction (Nikonova, 2007). The ratio of large and small businesses in the regional dimension in Russia varies from 1:5 to 1:25, whereas in Western Europe and in the United States this figure is suitable to the level of 1:500 (Sapsay, 2012). Large economic agents are the main elements of a market economy; they determine its development and define the level of

efficiency. Developing themselves, they structure the economy as a whole. Dominate in science-intensive, infrastructural and sectors of the economy of exploiting natural resources, industrial giants and their associations provide technological progress and economic growth in developed countries.

Business activity on the basis of large enterprises in the real sector mostly occurs in the following forms:

- intrapreneurship (the formation of small, often temporary team for the realization of some goal or development of some ideas necessary to improve the technical level of a large enterprise);
- incubator ("cultivation" of a small firm and providing various assistance at the stages of its formation);
- satellite form (organization of small firms-satellites, i.e. various affiliated firms, preserving "family ties" with the principal agency, the formation of small firms, which are legally independent, but economically dependent essentially on the root structure, etc.) (Zingeeva & Kalykulova, 2005).

Small business objectively plays a subordinate role in the relationship with large business, while large business, under certain economic conditions, is capable of producing the required set of small businesses, in varying degree, depending on the major. In this connection it is necessary to conduct research not only for constructing the optimal production workflows of interaction between small and large businesses, but also to improve the regulatory framework of this interaction, which will optimize the structure of business and increase competitive advantage.

The partnerships between subjects of small and medium-sized businesses are also very important. Prospects for the development of relations are primarily connected with the formation of non-governmental organizations of small business, the meaning of which activity is to express and defend their interests.

However, among the representatives of small and medium-sized businesses that took part in the sociological survey, only 37,8 % are collaborating with institutions of infrastructure to support small and medium-sized business, including the following organizations (in %):

- Belgorod Regional Small Business Support Fund – 12,3;
- Belgorod Regional Resource Center – 1,2;
- Belgorod Trade and Industry Chamber – 5,4;
- Belgorod regional branch of the All-Russian Public Organization of Small and Medium Enterprises "Support of Russia" – 2,4;
- Association "Chamber of Crafts of Belgorod Region" – 3,7;
- Non-commercial partnership "guild of merchants and industrialists" – 2,6;
- Regional Association of Trade Unions – 5,8;
- Belgorod regional office of the State Fund for Assistance to Small Enterprises in scientific and technical field – 4,4.

Respondents learned about the work of the above organizations in the Belgorod region from the following sources:

- through friends, relatives – 18,8;
- information in the media – 26,0;
- information in the Internet – 5,3;
- with the help of business partners – 25,3;
- other – 4,6.

Effectiveness of collaboration with organizations of infrastructure of supporting small and medium-sized businesses, according to participants in opinion poll, depends on the following factors (in %):

- a variety of services – 11,5;
- the quality of services – 13,8;
- maintenance of personnel – 7,6;
- simplicity of registration of papers – 12,5.

Respondents to a survey also noted a number of factors that prevent the interaction of entrepreneurs with support organizations of infrastructure to small and medium-sized businesses, to be exact (in %):

- not enough information about these organizations – 29,3;
- profile of these organizations doesn't correspond with my needs – 6,9;
- the quality of the services of these organizations is very low – 4,0;
- inconvenient geographical location of these organizations – 8,2.

In light of the above the proposal of the governor of the Belgorod region for the establishment of the Union of innovative enterprises in the region and develop a mechanism of selection, registration and development of such enterprises seems to be quite relevant.

7. Conclusion

Partnerships in small entrepreneurship, allowing its regional aspect, form a network of various types of partnership interaction, including: a) partnership with the business community and authorities; b) public-private partnerships; c) partnership of small and medium enterprises, on the one hand, and large business, on the other hand; d) partnership of small and medium enterprises. Partnership interaction of business enterprises with authorities is carried out, first of all, through direct business contacts, participation in joint meetings, round tables, and written communications. An important role is played by personal contact. However, the use of business associations and external organizations while defending employer interests is law-productive. Public-private partnerships are becoming more widespread – an institutional and organizational alliance between executive authorities and business in order to implement socially significant regional projects. The use of this type of partnership allows ensuring the possibility of

implementing socially significant projects in the shortest possible time, and reducing state risks by distributing them between a private partner and the authorities

In addition to public-private partnerships, partnerships between small, medium and large businesses are becoming increasingly important. A variety of partnerships between small, medium and large businesses, which has gained widespread popularity, are the functioning at the base of large enterprises of small business organizations in the form of intrapreneurship, incubation, and satellite. The prospects for the development of partnerships between the small and medium-sized businesses themselves are associated, first of all, with the formation of public organizations, small enterprises, the meaning of which is to express and protect their interests. Factors, preventing the interaction of entrepreneurs with these organizations should be taken into account: insufficient information about these organizations; the profile of these organizations does not meet my needs; low quality of services provided by these organizations; inconvenient geographical location of these organizations. In this regard, the project of creating the Union of innovative enterprises of the region seems relevant.

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