

The most significant corporate challenges in the life of SME sector in the 21st century – Theoretical overview

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Abstract: The importance of small and medium-sized enterprises in economic life was widely recognized after the 1980s, when the focus shifted from large companies to smaller enterprises. From this period onwards, these economic units are considered the core of development macro-, social and economic policy at the international level. In the last three decades, they have become key economic players in both developed and developing countries, especially in terms of the shift towards a more global business environment and the development of information technologies. During our topic selection, we asked what challenges the small and medium-sized enterprise sector must face in the era of the fourth industrial revolution of the 21st century. In connection with this, we have set ourselves the primary goal of getting answers to our question, with the help of which we have the opportunity to provide the managers of the SME sector with a comprehensive picture of the current situation typical of our days. The study is a theoretical overview, during which they are collected with the help of secondary data to present the most relevant organizational trials affecting the SME sector. In general, it can be said that the small and medium-sized enterprise sector must carry out innovative activities in order to maintain their competitiveness and continue to develop in a dynamic and competitive environment.

Keywords: SME sector, global challenge, local challenge, organizational challenges, XXI century, competitiveness

1 Introduction

During the topic selection, I asked what challenges the small and medium-sized business sector must face in the era of the fourth industrial revolution of the 21st century, especially in the field of social media. In connection with this, we have set ourselves the primary goal of getting answers to our question, with the help of which we have the opportunity to provide the managers of the SME sector with a comprehensive picture of the current situation typical of our days. In our rigorous

work, we place great emphasis on the presentation of the most significant organizational challenges, by placing social media in the center. In the course of our investigation, secondary data collection is used to present the relevant challenges affecting the SME sector. In order to get a comprehensive picture of the examined area, it is important to address the challenges inherent in the digital world. Our study is a theoretical overview, in which the most significant global and local challenges affecting small and medium-sized enterprises are presented with the help of literature processing, after which the conclusions related to the topic are formulated. With our study, our primary goal is to provide insight into the corporate challenges that play an important role in the life of businesses in the 21st century. In general, it can be said that the small and medium-sized enterprise sector must carry out innovative activities in order to maintain their competitiveness and continue to develop in a dynamic and competitive environment. The road to success is bumpy and long in any case, but if the business is persistent enough, success will gradually reach it.

2 Literature review

The importance of small and medium-sized enterprises in economic life was widely recognized after the 1980s, when the focus shifted from large companies to smaller enterprises. From this period onwards, these economic units are considered the core of development macro-, social and economic policy at the international level. In the last three decades, they have become key economic players in both developed and developing countries, especially in terms of the shift towards a more global business environment and the development of information technologies (Karadag, 2015). The SME sector plays an extremely important role in the modern economy, which can be defined as the most attractive and largest innovative system today. It is a recognized fact that this group of enterprises has an essential contribution to economic development. The SME sector plays a fundamental role in a country's economy. They are the main source of entrepreneurial skills, innovation and the creation of new jobs, which is an important alternative in the fight against unemployment. Their unique ability is shown in the application and dissemination of new technologies (Neagu, 2016). Several reasons justify the importance of the role played by small and medium-sized enterprises in the process of economic growth. This can be explained by the following facts:

- play a central role in the successful dissemination of the latest technologies;
- are able to efficiently satisfy relatively small but special needs;
- due to their flexibility, adaptability to market changes, and their impact on employment and knowledge sharing, they have a positive impact on the economic growth and competitiveness of a country;

- they are able to change their production programs relatively quickly and stop producing products that are not in demand on the market;
- • compared to large companies, they have lower production costs, higher labor productivity and lower transport costs;
- their business activities often result in innovation, which is one of the most important sources of growth and prosperity in modern economies. (Petkovska, 2015)

Overall, it can be said that small and medium-sized enterprises have a central role in the world economy, thanks to their dynamism, flexibility and adaptability (Petkovska, 2015), and they play a key role in a country's income generation, investments, and socially indispensable factors such as job creation and employment (Mester-Tóth, 2015).

2.1 Global challenges of SME sector

The SME sector faces many challenges due to increased competition, adaptation to extremely fast changing market demand, technological changes and capacity constraints related to knowledge, innovation and creativity (Yoshino-Taghizadeh-Hesary, 2016). In 2019, Gamage and his colleagues divided the most significant challenges for small and medium-sized enterprises into global and local challenges (Gamage et al., 2019). Considering the most important challenges, the following eight factors can be classified into the global category:

1. Market competition
2. Global capital and economic crisis
3. Information and communication technology (ICT)
4. Impact of multinational enterprises (MNCs)
5. Impact of transnational corporations (TNCs)
6. International terrorism and religious conflicts
7. International trade war

International dumping (Gamage et al., 2020)

In addition to the eight factors formulated by Gamage and his colleagues, we cannot go without saying the COVID-19 health crisis, which has been defining our everyday lives and the everyday lives of businesses for 2 years now. Zutshi et al. (2021) formulated additional influencing factors taking into account the epidemic situation, which are as follows:

- Interruption of activity caused by an epidemic situation
- Expectation of expertise, flexibility and perseverance
- Existential challenges
- Issues of corporate operation, income and trust

In 2015, Ahmedova formulated six factors that can help in eradicating the unfavorable results caused by global challenges. These components are innovation, activities related to intellectual properties, internationalization, implementation of best practices, adaptability, and flexibility (Ahmedova, 2015).

2.2 Local challenges of SME sector

In addition to an overview of the global challenges, it is important to examine which are the most significant trials that affect the European small and medium-sized enterprise sector. In their 2019 report, Michelle Alessandrini and her colleagues formulated three factors. The first aspect worth mentioning is the limited availability of skilled labor. At the European Union level, small and medium-sized enterprises often experience problems in hiring skilled workers due to competition from large companies and general financial conditions. EU SMEs do not invest enough time, energy and capital in training existing employees and are often held back by increased labor and individual costs. The second factor includes difficulties in accessing financing, which has been one of the most important issues for small and medium-sized enterprises since the economic crisis of 2008. The financial needs of the SME sector remain significant, especially in terms of fixed investments and working capital. It is also important to mention that access to state financial support is still limited for small and medium-sized enterprises. As a third and final challenge, the authors deal with the issue of excessive regulation and administrative burden. They say that in the case of the small and medium-sized enterprise sector, the compliance costs and requirements have a greater influence on their innovation capacity, the trained human capital at their disposal and hinder their internationalization (Alessandrini et al., 2019). After our global and European study, we will examine what are the challenges typical of small and medium-sized enterprises, which can be a problem for them at the local level. Table 5 illustrates these factors.

Table 1: Challenges affecting small and medium-sized enterprises at the local level

Authors	Challenging factors
Sandiso Ngcobo, Sandheel Sukdeo (2015)	• Government policies and laws • Lack of adequate information • Financing difficulties • Extremely competitive business environment • Domination by large corporations • Inaccessible markets • Lack of self-confidence
Holicza Péter (2016)	• Lack of preparation for starting a business • Insufficient financial contribution (financing) • If success is not achieved, the losses are serious • Too complicated administrative processes
Ambika Zutshi et al. (2021)	• Resource breakdown for fixed operating costs and variable costs • Existential questions due to the failure to cover costs • Experiencing a liquidity crisis due to the lack or delay in reimbursement of fixed operating costs • Pressure on production processes due to the lack of human resources and the increase in the ratio of human costs

Source: Ngcobo-Sukdeo, 2015; Holicza, 2016; Zutshi et al., 2021

In general, it can be said that the small and medium-sized enterprise sector must carry out innovative activities in order to maintain their competitiveness and continue to develop in a dynamic and competitive environment. (Petkovska, 2015)

Conclusions

Based on the literature review, the author managed to define 8 global corporate challenges and 15 local corporate challenges that define the life of small and medium-sized enterprises in the 21st century and that they must face in order to survive on a daily basis. Nowadays, it is crucial that businesses cannot ignore the issue of globalization, it is extremely important that they attach great importance to this issue in order to survive on a daily basis. Considering the secondary data

collection, the author proposes seven steps for small and medium-sized enterprises that can help them overcome the challenges listed earlier. These seven factors are:

- Innovation – plays a key role in the life of the SME sector. Innovation/continuous improvement can be central to overcoming any obstacle
- Implement best practices – every business has best practices that can help overcome challenges. However, at times they need to observe others, learn from others, and adapt their own best practices in order to be able to solve emerging problems.
- Adaptability - today, a company can only solve a problem if it can adapt, new problems create new situations, to which companies must always adapt
- Flexibility – in addition to adaptability, flexibility is also a key factor, since a company must not only adapt to a new situation caused by a newly emerging challenge, but also be flexible considering that new challenges can be solved with new solutions
- Loyal leaders – from a company perspective, solving a challenge requires company leaders and managers who always work together with employees to solve the problem, instead of prematurely abandoning the sinking ship
- Valuing key people - however, loyal leaders are nothing without employees, so it is crucial to value key people (not only during challenging times) who are a driving force in a challenging period
- Reserves and alternative resources – a company must always think that anything can happen at any moment. In this regard, it is extremely important to have adequate financial reserves so that there are no obstacles in overcoming the challenges.

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