

The Formation of Strategies for Effective Management of Business Environment of the Region

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Abstract: This study is aimed to explore the opportunities of creating conditions which is necessary for successful development of small and medium enterprises of Russia and the Belgorod region in particular in the chemical industry of leather and footwear sector. The system of criteria for the assessment of the entrepreneurial activity of small and medium enterprises is proposed. The directions of development of small and medium enterprises in the chemical industry of leather and footwear sector are designed. Three forecast scenarios (conservative, innovative and forced (target)) of market development of the chemical industry of leather and footwear sector of Russia for the period up to 2030 and activities within the framework of their implementation are defined.

Key words: Small and Medium Enterprises (SMEs), forecast scenarios, the system of criteria, the effectiveness, the main directions of development

INTRODUCTION

Chemical industry of leather and footwear sector of Russia is an active field of activities of small and medium enterprises. It provides the leather and footwear industry of Russia with the complex of chemicals for the production of a wide range of leather and footwear for industrial usage and final consumption. The level of development of the chemical industry of leather and footwear sector of Russia depends on the efficiency of all links of the commodity chain "livestock-chemistry-leather-shoes".

The process of gradual growth and development of the chemical industry of leather and footwear sector of the Russian Federation in the period 2005-2011, continued with the process of decline in production and profitability and a reduction in the number of small and medium-sized enterprises of the industry from 2012 to the present. These circumstances give grounds for serious analysis of the chemical industry of leather and footwear sector of the Russian Federation with the aim of identifying trends and forecasting for the development of entrepreneurship in the industry.

This will allow to use effectively the potential of business entities in the industry, to make the transition to diversified industry that will provide economic growth and sustainable socio-economic development of the chemical industry of leather and footwear sector of Russia and in general will increase the strategic potential of Russia's economy.

MATERIALS AND METHODS

The system of criteria for evaluating the effectiveness of the sphere of Small and medium-sized enterprises (SMEs) of the chemical industry of leather and footwear sector: The efficiency of functioning of the enterprises of the sphere of small and medium enterprises in the chemical industry leather and footwear industry of Russia is determined by the coherence on their formation, recruitment of the appropriate level of staff and effective management. A comprehensive assessment of the effectiveness of entrepreneurial activity is invited to navigate through a set of indicators of economic evaluation; evaluation of organizational and managerial effectiveness; risk assessment of entrepreneurial activity (Fig. 1).

Within the framework of the comprehensive evaluation of the effectiveness of entrepreneurial activity, the overall efficiency is expressed as earnings growth, optimization of management costs while improvement the efficiency of the organizational structure of management, the elimination or minimization of risks.

The number of small and medium-sized enterprises of the chemical industry of leather and footwear sector of Russia in 2013 decreased respectively by 40 and 20%. Employment in small and medium enterprises of the industry decreased in 2013, compared to 2012 by 67 and 19%, respectively. The turnover of small enterprises in the industry decreased in 2013 from 2012 by 57%, the turnover of medium-sized enterprises decreased by 1% in

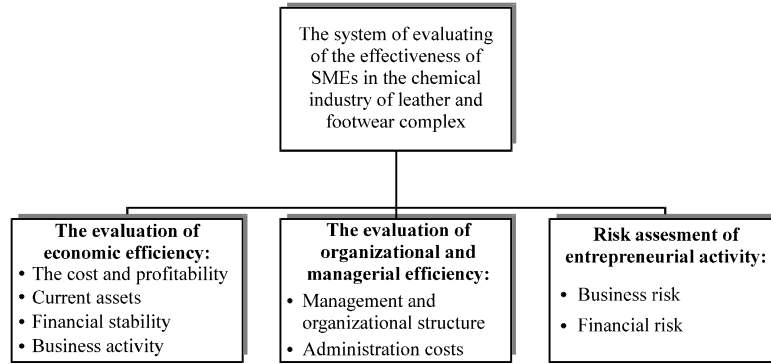


Fig. 1: The system of evaluating of the effectiveness of SMEs in the chemical industry of leather and footwear complex (the researchers development, based on Gogoleva and Grachyova (2014), Ryabtsev (2012), Tang *et al.* (2010) and Weerasiri *et al.* (2012))

Table 1: The main economic indicators of the chemical industry of leather and footwear sector of Russia

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|--|--|
| The size of the market | Gross volume of 14 thousand tons per year , the annual income of 40 million USD per year |
| The growth rate of market size | The 7-10% per year; a decline of 3% in 2013 |
| The scale of competition | National and international |
| The number of competitors | About 55% of the market is divided among 5 major domestic manufacturers, >35% of the volume consists of foreign manufacturers |
| The distribution channels | Direct delivery for leather and footwear enterprises in Russia and export to the CIS countries (Belarus, Ukraine, Kazakhstan, Uzbekistan) |
| The number of customers | The 22 tanneries and >30 footwear companies of Russia; leather and footwear enterprises of the CIS countries |
| Technology/innovation | Production technology is homogeneous and varies slowly. The greatest changes occur in the product range: 10-20 new chemicals and components are being introduced every year. |
| The stage of life cycle | Maturity |
| Conditions of entry/exit in the industry | Difficult entry/exit: a limited customer base, the low growth rate of demand, the need for a developed system of R&D, product certification, long-term contacts and relationships with suppliers and customers |
| Economies of scale production | Medium: the same production costs, however, the savings in transportation and the purchase of large quantities of raw materials are possible |
| The workload of production capacities | In an active season (August-May) above 80% in a passive >80% |
| The profitability of the industry | Medium, depends on demand which is determined by the general level of economic development, the growth rate of exports and imports |

The researchers research, based on “The long-term forecast of socio-economic development of the Russian Federation for the period till 2030”

2013 (Resource center for small businesses. Statistics of small and medium entrepreneurship in Russia: 2010-2013). The reduction in the number of small and medium enterprises in the chemical industry of leather and footwear sector in the period 2012-2013 is related to the slowdown of economic growth in manufacturing and increased competition in the chemical industry of leather and footwear sector of Russia by foreign companies.

The main economic indicators of the chemical industry of leather and footwear sector of Russia are presented in Table 1.

RESULTS AND DISCUSSION

The main directions of development of small and medium enterprises in the chemical industry of leather and footwear sector: national and regional aspects:

According to the long-term forecast of socio-economic development of the Russian Federation for the period up to 2030 to ensure the RF output on the level of economic

and social development, relevant to the status of Russia as the world’s leading superpower of the XXI century, which occupies a leading position in global economic competition, the global competitive institutional environment that stimulates entrepreneurial activity and capital formation in the economy will be created. For this purpose, the following priorities for institutional transformation in Russia for the period up to 2030 are suggested (Fig. 2).

Since, small and medium enterprise is a strategic resource for the development of the territory and has a distinct regional dimension, the implementation of regional (municipal) programmes with the financial support of the federal centre will primarily contribute to the achievement of the following objectives (Fig. 3).

In order to ensure the continuity of federal government support of small and medium enterprises of Russia at regional and territorial level a long-term target program “Development and state support of small and medium enterprises of the Belgorod region in 2011-2016”

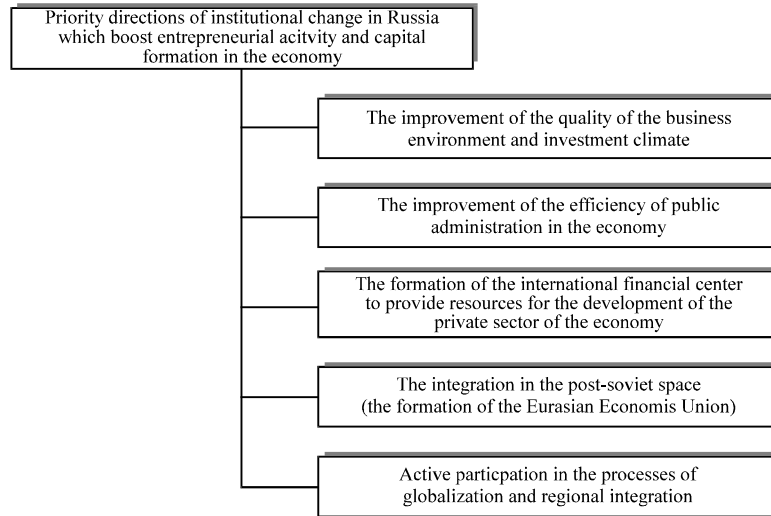


Fig. 2: The priorities for institutional transformation in Russia for the period up to 2030 (the researchers development, based on “The long-term forecast of socio-economic development of the Russian Federation for the period till 2030” (Nikulina *et al.*, 2013))

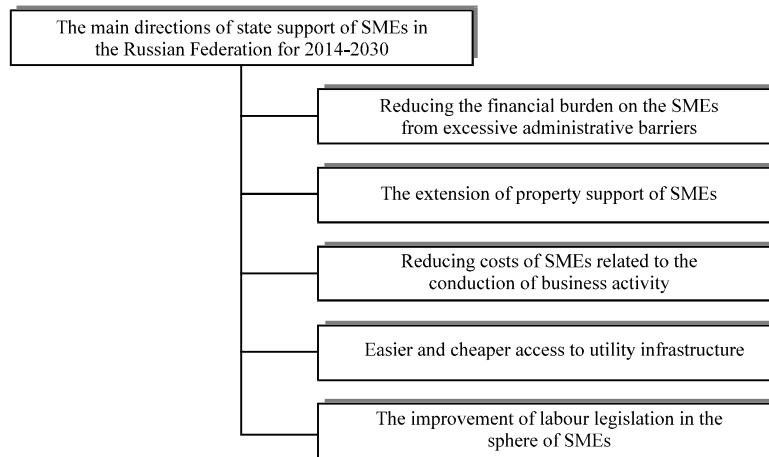


Fig. 3: The main directions of state support of SMEs in the Russian Federation for 2014-2030 (the researchers development, based on “The long-term forecast of socio-economic development of the Russian Federation for the period till 2030” (Nikulina *et al.*, 2013))

has developed in the Belgorod region. A total of 25287 thousand rubles has allocated for its implementation from the federal budget. The main directions of development and state support of SMEs in the Belgorod region in 2011-2016 are presented in Fig. 4.

Forecast scenarios of development of chemical industry leather and footwear industry of russia For the period up to 2030: Three forecast scenarios (conservative, innovative and forced (target) are developed for the chemical industry of leather and footwear sector of Russia for the development in the long term period up to 2030.

The development of the sector in conservative scenario will be carried out in conditions of low innovation and investment activity, without the implementation of breakthrough innovation and new large-scale investment projects.

Moderately optimistic (innovative) scenario involves improving the competitiveness of enterprises in the industry and the accelerating growth of the market of chemical drugs due to the technological innovations of the production potential of the industry, primarily the implementation of resource and energy-saving technologies and increase the volume of investments

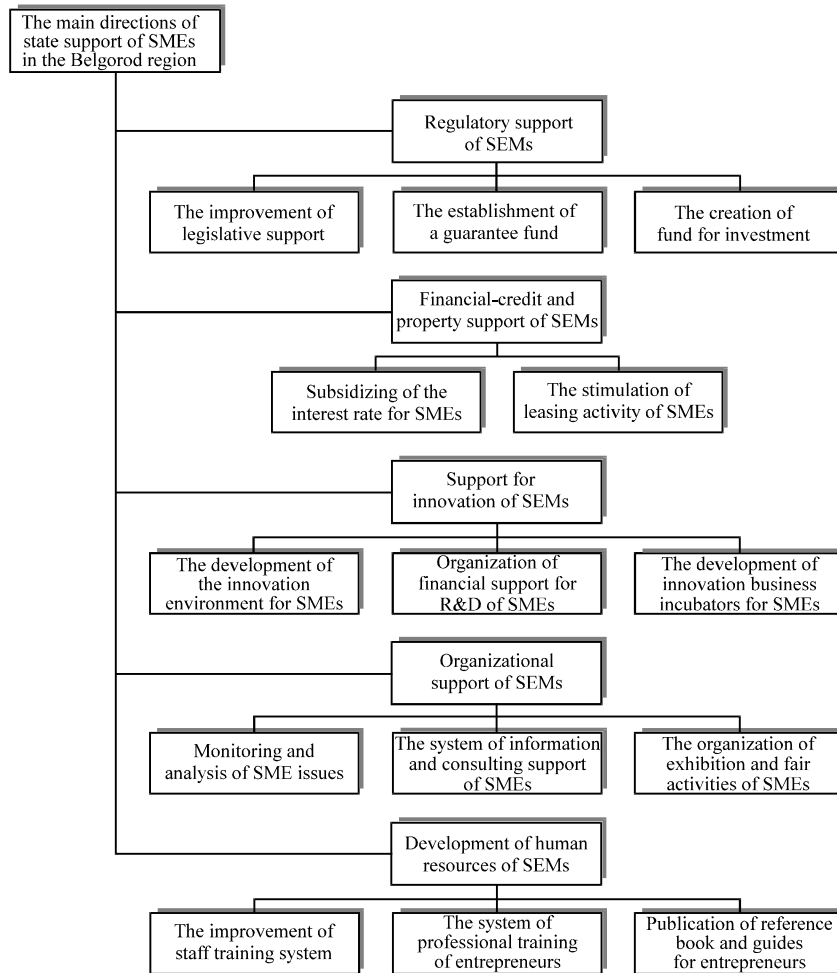


Fig. 4: The main directions of development and state support of SMEs in the Belgorod region in 2011-2016 (the researchers development, based on “Development and state support of small and medium enterprises of the Belgorod region in 2011-2016” (Nikulina *et al.*, 2012))

Table 2: The implementation of the directions of development of SMEs in the framework of forecast scenarios of market development of the chemical industry of leather and footwear sector of Russia

| The scenario | The measures to implement the directions of development |
|---|--|
| Conservative scenario | Modification of the current range. Introducing 2 innovative products. The strategy of following the market |
| Moderately optimistic (innovative) scenario | The introduction of 12 new products in different groups of drugs. The concentrated growth strategy |
| Forced (target) scenario | The introduction of 25 new products in different groups of drugs. The concentrated growth strategy |

The researchers development, based on “The long-term forecast of socio-economic development of the Russian Federation for the period till 2030” (Nikulina *et al.*, 2013; Omarov *et al.*, 2011)

directed at the development of high technologies in chemical industry of leather and footwear sector of Russia. The growth in chemical production is projected in 2020 compared to 2011 by 54.3% and in 2030 compared with 2011 2.4 times, respectively.

Forced (target) scenario is developed on the basis of the innovative scenario while it is characterized by the forced growth rate, the increased rate of accumulation of private capital, the creation of large-scale export sector and large inflows of foreign capital.

Taking into account the dynamics of the industry in 2011-2013 and the current state of the industry forecasting of market development of the chemical industry of leather and footwear sector of the Russian Federation is based on moderately optimistic (innovative) scenario, due to the high probability of its occurrence. Measures to implement the directions of development depending on the forecast scenario are shown in Table 2.

If the situation in the Russian economy changes enterprises can change the direction of development either side of the wide diversification of product portfolio (forced scenario) or moderate diversification (conservative scenario).

CONCLUSION

A developed system of assessment of entrepreneurial activity will allow better planning such parameters as the scope, directions of business development, the dynamics of its development, market efficiency, investment, operating and financing activities, as well as to justify conclusions about the projected success of entrepreneurial activity.

The analysis of dynamics of development of small and medium enterprises in the chemical industry of leather and footwear complex and marketing analysis of the industry's market has allowed to identify the main trends and to formulate the main directions of development of small and medium enterprises in the chemical industry leather and footwear sector.

The analysis of the dynamics of development and economic performance of small and medium enterprises of the chemical industry of leather and footwear sector of Russia has given the possibility to determine the underlying causes of the decline in profitability and a slowdown in production in the period 2012-2013 and to develop basic scenario directions of development of small and medium enterprises of the Belgorod region.

The strategic goal of the proposed directions of development is to improve the competitiveness of small and medium enterprises of the chemical industry of leather and footwear sector of the Russian Federation through the development and implementation of innovative range of chemical products and technologies for the leather and footwear industry of Russia; modernization of production facilities to reduce energy and materials consumption and increase productivity of enterprises; the establishment of

competitive prices for all kinds of products; training production personnel; use of the current situation in the economy Russia on import substitution with the aim of expanding the share of industry market of chemical products of leather and footwear sector.

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