

Mechanisms of Support of Export-oriented Small Enterprises: The Regional Aspect

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Abstract

The article presents the results of research on the state and development of export-oriented small and medium-sized enterprises and the reasons of the incomplete implementation of the export capacity of enterprises. Among the priority constraints on the development of export-oriented small and medium-sized enterprises have been allocated financial and administrative constraints. The most effective mechanisms to support SMEs are subsidizing the cost of promoting products to the world market and the compensation of interest rates on export contracts. Found that most of the export-oriented SMEs are interested in increasing the share of exports and seek to expand the geography of deliveries, but for the realization of their interests is necessary to improve infrastructure support. Each regional education puts its emphasis in the export development strategy for small and medium enterprises. Based on a comparative analysis of the existing Coordination centers of export-oriented SMEs of Russian Federation subjects support, determined the possibility of approximating the existing mechanisms for support of small and medium-sized export-oriented entrepreneurship Voronezh region. The process of ensuring the establishment of effective mechanisms to support export-oriented small and medium-sized enterprises Voronezh region includes two time periods transient (lasting less than a year) and operational for over a year.

Keywords: small and medium enterprises, support mechanisms, Coordination centers of export-oriented small and medium-sized enterprises support, export-oriented enterprises

1. Introduction

The experience of successful structural changes in the economies of developed countries shows that a key aspect of the restructuring is to support export-oriented economic growth. Export in practice promotes enterprise competitiveness, stimulating increased production of competitive goods. Development of Russian exports is a priority policy. Thus, the foreign trade turnover with EU countries amounted to 410.5 billion dollars, an increase compared to 2011 by 4.1% (in 2011 vs. 2010 - an increase of 28.5%). However, in 2012 Russia's trade with all groups of countries has been a trend to a sharp slowdown in growth, and in trade with CIS countries experienced a decline. Voronezh region, part of the CFA, is not among the export-oriented regions, while the share of its exports is 0.3% of the total exports from the Russian Federation. However, regional policy is implemented in the direction of stimulating export operations, as evidenced by the increasing rates of the foreign trade turnover of the Voronezh region in 2012 - 2013 years, an average of 30% (Popkova et al., 2013a).

Since the foundation of any market economy is small and medium-sized enterprises (SMEs), it is natural that their condition is reflected in the state of the economy as a whole. Small and medium enterprises took a place in the economic structure of the Voronezh region and play a significant role in the social life of its population. Results of small enterprises in 2012 in the regional context can be regarded as positive in 2013 in Voronezh region were operating 22,360 SMEs, up from previous years (Morkovina, 2013). However, export-Oriented are only 0.2% of the total number of SMEs. At the same time, for the period from 2010 to 2013 the volume of export-oriented products to SMEs increased steadily and by the end of 2012 amounted to U.S. \$ 32.5 million, representing 1.8% of the total production area produced for export. Despite the fact that there has been an increase in both the number of export-oriented SMEs, as well as volumes shipped their products, small enterprise remains the most vulnerable segment and needs support (Chvanov, 2011).

According to the European Commission's research climate for SMEs to foreign markets is favorable today than ever. Only in the United States each year about 230 thousand small enterprises export products to almost \$ 200 billion (project TACIS "Support to Export-Oriented Innovative SMEs" <http://www.innovbusiness.ru>).

The importance of measures to support export-oriented SMEs evidenced by the fact that the federal law № 209-FZ of 24.07.2007 was introduced a separate rule, enabling support of foreign economic activity of small and medium-sized enterprises in Russia (Federal Law of 24.07.2007 N 209-FZ "On development of small and medium enterprises in the Russian Federation"). Introduction of a new law and a special article on the FEA, demonstrates the need for and the importance of promoting SMEs in promoting international markets and improve their overall competitiveness (Feldman, 2001). Relevance of the circumstances currently tied for first place with Russia's accession to the WTO, economic globalization and internationalization of business processes, as well as the direct participation of Russian producers in international production chains, which in turn is reflected in the SMEs (Acs et al., 2009).

Development of export relations with other countries allows companies to maintain or increase production capacity, inactive because of low paying customers in the domestic market due to market expansion. Therefore, the successful solution of the problem of increasing the export potential of entrepreneurship in general and SMEs in particular, is an essential component of development as the regions and sectors of the economy. It is necessary to the formation of effective mechanisms to support export-oriented small and medium-sized enterprises.

2. Method

The research brief analysis of the general statistics of foreign trade activities, presented the factors complicating the implementation of foreign economic activities SMEs analyzed export support programs implemented by foreign development institutions, and the technique and assess the effectiveness and efficiency of social and economic measures to support export-oriented subjects small and medium enterprises in the Voronezh region.

The study was carried out a comprehensive approach to the study of the export potential of small and medium-sized enterprises, as sources of information on small and medium-sized enterprises were the federal and regional information resources, monitoring data print and electronic business and trade publications, analysis, materials, marketing and consulting companies for the period from 2009 to 2013.

The study proceeded from the assumption that the majority of export-oriented SMEs are interested in increasing the share of exports and seek to expand the geography of deliveries, but for the realization of their interests is necessary to improve infrastructure support. To determine the priority forms of support necessary to consider the views of entrepreneurs and managers and to identify the factors determine the development of export-oriented small and medium enterprises. To conduct the study were prepared and sent (including email) newsletters with the application forms and offer to take part in a study of 68 addresses (Popkova et al., 2013b).

The study used the methods of comparison, comparing, questioning and observation during:

- questionnaire of small and medium enterprises in Voronezh region, supplying its products for export to other countries;
- identification, organize and establish the importance of factors determining the development of export-oriented small and medium enterprises by expert estimates (prioritization), and coordination of expert opinion was based on the calculation of the dispersion coefficient of concordance Kendall. The calculations were formed square adjacency matrix to determine the most significant factors determining the development of export-oriented SMEs;
- making of desk research, including analysis of the database on the export activities of small enterprises in the region in 2013. During the desk research has studied the experience and forms of support export-oriented small and medium enterprises in the cities of the Russian Federation and the city of Voronezh, assessed support infrastructure at the regional level. Based on the comparative analysis of the vector were determined to ensure the development and support of export-oriented SMEs Voronezh region.

3. Results

The study found that most of the companies specialized in the provision of services, less than a third of enterprises in the production of finished products and raw materials production (Figure 1).

The main exported products are:

- transmitters and other special radio equipment, produced in small enterprises established on the basis of units of the Research Institute of Communications (the bulk of deliveries - in Switzerland);

- accessories and spare parts for oil producing and refining industries;
- nodes and spare parts for excavators (including mining) and a wide range of ore processing and mining equipment (actively supplied to India, Pakistan and 20 other countries and abroad);
- ball bearings, hydraulic hammers and other products for the automotive industry (exported to Germany and Belarus) and others.

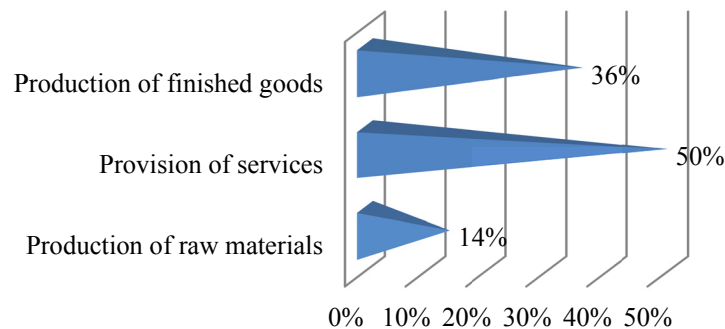


Figure 1. Structure of small and medium-sized export-oriented enterprises specialization

However, there is significant growth potential export opportunities for the area due to high technology, which is caused primarily by the presence in the area of general scientific and technical base, experience in implementing projects of conversion, the vast capabilities of the system of higher education in the region for the preparation of highly qualified personnel in the field industry, aerospace, robotics, information systems, applied physics and biotechnology.

In a survey of export-oriented SMEs the authors established (Popkova et al., 2013c):

- export-oriented companies are mainly a steadily growing companies operating in the market for more than 3 years (64%), however 34% of all enterprises are micro-enterprises employing up to 10 people.
- -the majority of small enterprises (78%) with a turnover of around 30 million. the share of exports in turnover does not exceed 50%.
- -small enterprises seeking to increase exports to the share of manufactured products, with nearly half of them will seek to 50:50 in the supply of its products to the domestic and foreign markets;
- third of small enterprises orient exports to former Soviet republics and the CIS countries;
- 30% of small enterprises are able to increase production by 50% or more.

Despite the presence of some small enterprises, leading a stable foreign economic activity in general export capacity of enterprises is not implemented in full. The reasons for this have been disclosed in the study based on the survey of the NSR.

An overwhelming number of respondents agreed on the opinion that the management structure of the development of export-oriented SMEs is not perfect. 55% said that at the federal level is not enough departments, agencies, counseling centers. 62% of respondents said that at the regional level is not enough departments, agencies, counseling centers. 75% said that at the local level is not enough counseling centers.

It was found that the majority of export-oriented small and medium-sized enterprises largely need for grants from the state (this was the answer from 32.2 to 60.8% of respondents), which again confirms that the weakness of small and medium enterprises owners who carry out foreign trade activities in the Voronezh region, the lack of financial resources.

It can be stated that the perfection of state regulation of foreign economic activity, developed legal framework at all levels of government, developed the control system have a significant impact on the export-oriented SME activities. The second important component of entrepreneurial activity in the foreign market is the availability of credit resources. Financial constraints in the form of higher costs for the implementation of enterprise traders and lack of access to financial resources constrain the development of export-oriented SMEs.

Administrative restrictions, including a large number of regulatory authorities, significant amounts of the accounting documentation, bureaucratic arbitrariness of officials and the existence of numerous regulations also are significant factors hindering the development of export-oriented SMEs (Hessels & van Stel, 2009).

The results of questioning and involving peer review found that the priority determinants of entrepreneurial activity in the foreign market are not sufficient information support of foreign trade and the availability of credit resources. These factors have the greatest weight - 0.39 and 0.17. Among the priority constraints on the development of export-oriented small and medium-sized enterprises, financial constraints were identified - with a weight of 0.4 and administrative constraints, with the share of 0.16 (Table 1)

Table 1. Priority factors determining entrepreneurial activity in the foreign market and the factors impeding export-oriented SMEs development

Variable	Name of the factor	Importance of the factor
	Factors determining entrepreneurial activity in the foreign market	
X1	Not enough information provision	0,38762
X5	Amiability of credit resources	0,17391
	Factors constraining the development of export-oriented SMEs	
X1	Financial constrains	0,39541
X5	Administrative restrictions	0,15970

The study concluded that the main barriers for small enterprises while working for export respondents identified high costs for enterprises to foreign markets, lack of information about foreign markets and low availability of investment resources.

Found that for small export-oriented enterprises is important primarily financial and marketing and administrative support, and then in the derivation of products to foreign markets.

Experience of implementation of regional programs to support business in the Russian Federation in the field of exports showed the most effective measures to support SMEs is subsidizing the cost of promoting products to the world market and the compensation of interest rates on export contracts.

When the authors asked SMEs about the need for create regional Coordination Centre of export-oriented small and medium-sized enterprises support, entrepreneurs in the affirmative. During the analysis of the experience of regions found that these organizations typically perform a dual role:

- provide specialized support to producers of export goods;
- Provide the activation and coordination of relevant services provided by other organizations for export-oriented SMEs.

In addition, interacting with the authorities and SME centers play a bridging role between SMEs - exporters and state.

4. Discussion

In order to provide competitive advantages to support and protect the interests of domestic exporters in foreign markets, economic growth potential and increasing the share of high-tech products in the total volume of Russian exports, developed a system of state support for exports of industrial products, calling for the use of trade-economic, institutional, financial and information and advisory tools. In this regard, the choice of strategy development and export support small and medium enterprises in the region largely depends on various factors such as geographical location, transportation hubs, socio-economic status and prospects of its development, research, production and human resources of the region. State may help SMEs, providing them with a wide range of services, ranging from simply providing information about opportunities in the international markets and ending with specialized assistance in the preparation and implementation of marketing and sales companies abroad. In regions of the Russian Federation for state support measures for small and medium enterprises (SMEs) are implemented through programs of state support to SMEs (Fryges & Wagner, 2008). The main forms of support include financial, property, information support of SMEs, support foreign trade and inter-regional cooperation of SMEs, measures to protect the legitimate rights and interests of SMEs at the state control over their activities, the establishment of mechanisms for the participation of SMEs in the delivery of goods, works and services for state and municipal needs, a system of training, retraining and advanced training of SMEs, start-up entrepreneurs and government officials responsible for the support and regulation of the activities of SMEs, as well as the creation and development of SME support infrastructure at the federal and regional levels (Aghion, 2006).

This activity can be described as “export promotion” or “improving export” (Project TACIS “Support to Export-Oriented Innovative SMEs” <http://www.innovbusiness.ru>); it is normally and performs a variety of organizations - infrastructure elements to support small and medium-sized enterprises, such as the Center for coordination of support export-oriented small and medium-sized enterprises. According to the Ministry of Economic Development of the Russian Federation to date in the country successfully operates 41 Centre of export-oriented small and medium-sized enterprises support.

During the studies of mechanisms to support small and medium-sized enterprises to promote SMEs in entering foreign markets, it was found that:

- existing infrastructure to support small business (at the regional and municipal levels) provides some services for export-oriented SMEs, at the same time they do not fully meet the needs of business structures (either in content or quality);
- existing mechanisms to support small enterprises have strong development potential in order to become a reference center for the export-oriented SMEs (provision of information, promotion of export activities, diagnostics export potential and develop appropriate strategies, participation in exhibitions, access to finance and guarantees, legal aspects);
- existing market of private and public services for the export-oriented SMEs (provision of information, consultancy, training, assistance in promotion of international markets, access to finance) is developing;
- lack of coordination of the various activities and initiatives undertaken in support of export-oriented SMEs various regional and international organizations and programs, leads to poor results and duplication of effort, thus reducing the overall effect.

Our studies have established the need to create in the region of Centre of export-oriented small and medium-sized enterprises support. In the Voronezh region Coordination Centre of export-oriented small and medium-sized enterprises support need for:

- Firstly, for the purposes of information-analytical, consulting and organizational support for foreign economic activities of small and medium enterprises;
- Secondly, as a mechanism for promoting the export sector of the economy, increase exports of finished products (goods and services) produced by small and medium enterprises, as well as the output of export-oriented small and medium enterprises in foreign markets.

Center helps coordinate the activities of export-oriented small and medium-sized enterprises at every stage. The researchers of this problem note that information and organizational support, consulting, training - all these activities help exporters to adapt faster to the global market (Giles & Williams, 2000a). The important point is that most of the services of the center are free.

The process of creating an effective security infrastructure to support export-oriented small and medium-sized enterprises Voronezh region includes two time periods – 2014 and 2015 (Figure 2).

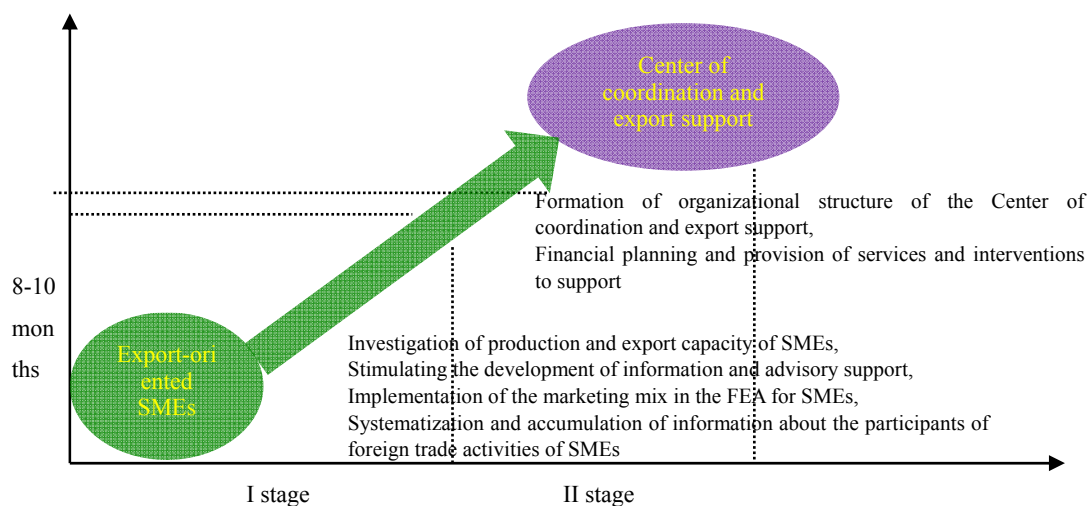


Figure 2. Stages of Center of coordination and export support creation in Voronezh region

Period in 2014 designated as transitional, whose task is to develop a platform for further creation of Center of coordination and export support, and the period in 2015 is just the beginning of the year activities of Center of coordination and export support.

Allocation of these time steps, in our view will allow:

First, identify the characteristics of production and export capacity of SMEs economic sectors of the Voronezh region, with an emphasis on the types of exported or potentially suitable for export products, as well as opportunities for expansion and diversification of exports, and minimize the cost of arrangements;

Second, to systematize information about the participants of foreign trade activities in the Voronezh region by creating a data bank of export-oriented SMEs;

Third, establish the presence of a workforce with the necessary skills to perform specific functions to promote export activities and more economically viable approach to the allocation of funds for the creation of Center of coordination and export support in the region.

5. Conclusion

Through a comparative analysis of the existing Coordination Centres support export-oriented SMEs RF subjects, determined the possibility of approximating the existing positive experience for the organization of the Centre in the Voronezh region and was found to correspond to how the existing infrastructure to support business needs and requirements of export-oriented SMEs (Giles & Williams, 2000b).

In conclusion, we note that, to ensure the effective development of export-oriented small and medium-sized enterprises in the Voronezh region is necessary to organize activities at three levels:

- at the micro-level, by favoring certain small and medium-sized enterprises - participants export activities;
- at the meso-level, by supporting specialized infrastructure, organization of successful transfer of experience from beginners to SMEs, stimulating “growth points” – specific sectors and business lines, favorable for the development of export potential;
- at the macro-level, in the region by creating a favorable climate for the export activities of small enterprises, increase the region's attractiveness for foreign partners, education and skill level of small enterprises - participants of export activities.

An important element of the mechanisms under consideration is Center of coordination and export support – an organization actively working on inter-regional markets. In our view, the experience of the regional authorities in Center of coordination and export supports should be extended in respect of SME exporters.

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