Global SMEs
Volume 1: Sustainable Smart Innovative Global SMEs

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Preface

This book is written for the students and entrepreneurs who will want to understand the role and meaning of SMEs (Small Medium-Sized Enterprises) in the globalization. In all countries of the world are the most companies small and medium-sized, but in the public and political focus stand mostly the "big ones". This is inappropriate because of the real role of "sustainable, smart, innovative SMEs" of global.

Experts from the "German Mittelstand", and International Sustainability Management has written this book which is oriented directly to Managers of Global SMEs.

SMEs (Small Medium-Sized Enterprises) play an extremely important role in economic development through generating employment, growth in business marketing and improving economic situation, environmental sustainability through utilizing innovative, profitable and blue-green strategies aligned with water resources, environment and social development through using CSR's strategies to gain societal goals and creating innovative solutions to the challenges such as poverty, social exclusion and unemployment. Generally, SMEs could be used as a tool to deal with global challenges like environmental problems, economic challenges, social instability, poverty and etc. Therefore, SMEs could improve sustainable development in order to achieve high quality of life and livability (sustainability) in the world.

In this book, rudiment concerned on SMEs is explored. In addition, roles of innovation, technologies, digitalization, and knowledgeable capital in achieving successful and sustainable SMEs in Industry 4.0 is attended. In particular, the main aim of the research is to achieve sustainability regarding to improve quality of life and livability through innovative, profitable, manageable strategies for Global SMEs.

It is one of these books that you can implement into work right away. The authors writing will motivate you to move forward, because it will make you feel like everything you need to handle is easily manageable.

This book will bridge the gap of knowledge and highlight the modern and effective findings related to the Global SMEs, innovation, digitalization, sustainability, HR, Industry 4.0, and multinational cooperation.

The content teaches about specifics of Global SMEs. As further guidance, authors define what exactly a SMEs should contain and shares personal examples as well as models including all the required steps to reach the set goals.

The book shows the most effective way of balancing the fundamental pillars, assisting the modern day manager by handling a dynamic, constantly adjusting workplace, which easily adapts to all challenges and changes.

Keywords

Global SMEs, Innovation, High Technologies, Digitalization, Smartness, Culture, Global Concerns and Challenges, Project Management, Risk Management, Leadership, Human Resources, Sustainability and Sustainable Development, Blue-Green Strategy, Blue-Green Sustainable Development Management, High Productivity and Growth, Quality of Livability, Quality of Life.
Introduction

Content

1. Introduction

References

1. Introduction

The introduction examines what is new about innovation in the 21st century and the role played by SMEs and entrepreneurship. An important shift has occurred from the “managed” to the “entrepreneurial” economy, associated with a fall in the importance of economies of scale in production, management, finance and R&D. It mischaracterized by a series of trends encompassing the emergence of the knowledge economy, open innovation, global connections, non-technological innovation, the „Silicon Valley Business Model“ and social entrepreneurship and social innovation. SMEs and new business ventures are important players in this new environment. They have a key role in processes of creative destruction, knowledge exploitation, breakthrough and incremental innovation, and interactive learning. Ensuring they reach their full potential requires a new innovation policy approach that facilitates entrepreneurship and SME innovation. Priorities include inserting new and small firms in knowledge transfer networks, strengthening entrepreneurship skills, and improving institutional environments for social entrepreneurship.

Small and medium-sized enterprises (SMEs) have a vital role in the private sector of each nation. Moreover, as the globalization increases, they began to have a very important role of opening the local products/services to the international markets, as well as competing with multinational competitors in the local markets. In the process of internalization, there appear various pros and cons for SMEs in global market. The benefits of smallness, flexibility and rapid response to changes, on the other hand, the disadvantages of size may provide SMEs different paths in globalization phase. The factors that will provide SMEs through internalization vary from one country to another based on the economic, geographical and cultural differences. This sort of investigation is very critical for the developing countries because the research outcome could be useful for the economic development planners as well as to individual entrepreneurs in the countries concerned (Reuber and Fischer, 1997, 807).

There are some entrepreneurial, external and internal factors behind the success of SMEs through the globalization process. The purpose of this book is to identify and associate the main factors which affect the success of globally successful Global SMEs. In this context, the study begins by a literature review of success factors of SMEs and business success during globalization. The paper proceeds with the evaluation of seven successful global German SMEs in respect of critical success factors and their strategy implementations. Research methodology takes place in the Second section. The results of the analysis are discussed and further recommendations are provided for managers and scholars in the conclusion section.
The creation of new business ventures and innovation and sustainability in existing small and medium-sized enterprises (SMEs) are critical parts of today’s innovation process, and should take a central place in government strategies to promote innovation. Despite their importance, however, SME and entrepreneurship support is not yet fully embedded in innovation policy, and the requirements for effective policies in this area are still not well enough understood. New firms and innovating SMEs are best seen as agents of change in the economy, introducing new products and services and more efficient ways of working. They underpin the adaptation of our economies and societies to new challenges and drive economic development. Not all new and small firms are equal in innovation, of course.

- On one hand, there is a small group of highly innovative and high-growth-potential firms with important individual impacts on jobs and productivity. But their numbers from the Entrepreneurship Indicators Project should not be exaggerated. They make up only a small minority of all SMEs. OECD figures for eleven OECD countries suggest for example that “high-growth enterprises” account for between only 2 and 8 per cent of all enterprises with 10 or more employees, while “gazelles” account for less than 1 per cent of such enterprises. They nonetheless generate large impacts. Anya dike-Danes et al. (2009) calculate, for example, that the six per cent of UK businesses with the highest growth rates generated half of the new jobs created by existing businesses between 2002 and 2008. Innovation is a source of the growth of these types of firms (Mason et al., 2009). The Global Entrepreneurship Monitor survey in 53 countries suggests that only 6.5% of new entrepreneurs are “high-expectation entrepreneurs”, who expected to create 20 or more jobs in five years’ time. Almost 90% of all expected new jobs were foreseen by less than one-quarter of nascent and new entrepreneurs (Autio, 2007).

- On the other hand, there is the vast majority of SMEs that innovate very little compared to large firms and are associated with only modest growth or decline. Yet these firms should not be neglected either, since even small innovations and small differences in growth amount to a lot when multiplied by the number of firms involved.

This book addresses itself to both components of new and small firm innovation. Many empirical studies have shown the aggregate relationships between entrepreneurship and SME activity and economic growth and job creation. These growth and job creation effects happen through innovation, as new firm creation and SME growth increase productivity and bring new or under-utilized resources into use. Various studies have shown how greater small business numbers and business start-up rates are associated with more rapid economic growth (Audretsch and Thurik, 2001; Audretsch and Keilbach, 2005; Acs et al., 2005; Erken et al., 2008). There is also an important link between new and small firm activity and job creation, as new and small firms take up labour released by downsizing elsewhere in the economy and increase national and local competitiveness (Neumark et al., 2008; Haltiwanger, 1999; Daviddson et al., 1999; Halabisky, 2006; Henrekson and Johansson, 2008). Stangler and Litan (2009) for example show that from 1980-2005 nearly all net job creation in the United States occurred in firms less than five years old, while in 2007 two-thirds of the entire pool of new jobs were created by firms aged between one and five years (hence excluding the very newest and most vulnerable to closure).

This job creation function of entrepreneurship and SME development is of great relevance to the recovery from the global financial and economic crisis since it is clear that policies enabling
innovation in new and small businesses will have benefits not just for improving products and services and increasing efficiency but also for meeting the job creation challenge of high unemployment. In the short to medium term there is a real opportunity for governments to use policies for entrepreneurship and SME innovation to meet productivity and job creation objectives at the same time. There is growing, if still insufficient, recognition that entrepreneurship and small firm development promotes innovation and in so doing meets fundamental economic and social objectives. What is still lacking, however, is a solid and comprehensive understanding of what policy needs to do to release the innovation capacity of new and small firms.

This book addresses the issue. It is intended to offer an “Innovation Strategy for SMEs and Entrepreneurship”, aimed at policy makers and their advisors with direct responsibility for entrepreneurship and SME policy or working in other policy domains such as education, innovation and social policy who could better realize their goals by adopting strategies that are more aware of and sensitive to the needs and opportunities of SMEs and entrepreneurship. This chapter sets the context. It focuses on two key questions and draws out the policy implications of each:

- What is different about innovation in the 21st century (and has SME innovation become more important)?
- What role do new and small firms play in today’s innovation processes?

The major argument presented here is also the leitmotif of the book: A new type of innovation has emerged in recent years, which relies much more strongly than in the past on entrepreneurship and SMEs, but institutions and policies have yet to fully adapt to this new reality. To do so, a wider agenda must be adopted that encompasses stimulating SME participation in knowledge networks, developing entrepreneurial human capital and bringing about social entrepreneurship and social innovation. The chapter starts by examining how global trends towards the knowledge economy, open innovation, global connections and non-technological innovation and the emergence of national and regional economic models and new types of social innovation have increased the importance of SMEs and entrepreneurship to innovation. It then discusses how SMEs and entrepreneurship contribute to innovation by driving processes of creative destruction, commercializing research, making breakthrough and incremental innovations, participating in interactive learning processes and working in different modes of innovation. The major policy implications are then pulled out. The final section sets out how the main themes are developed further in the rest of book.

Small and Medium Enterprises (SMEs), contribute significantly to the GDP growth and the economic development of a country be it developing or developed. SMEs provide significant employment avenues, platform for creativity and innovation that stimulates national income, as well as entrepreneurial opportunities and social stability. Based on a study, International Finance Corporation (IFC) surmised that there is a positive correlation between the overall level of income of a country and the number of SMEs measured on a unit (per thousand) of population. According to the Organization for Economic Cooperation and Development (OECD), internationally SMEs account for 50% of GDP, 30% of exports, 10% of FDIs and 60-70% of the private sector employment. During the boom period of early years of the current decade (immediately preceding the recent slowdown), as per a nine country Asia-Pacific Survey done in 2007, HSBC bank opined that SMEs are considered to be the backbone of the
economy in developing countries. There is certain degree of resurgence but in order to have an all-inclusive growth and to sustain it for a long time, it is imperative to focus on the development of millions of SMEs.

*Global SME* is a guide book with two cases, will quickly become your "go to" resource for researching and solving complex issues, saving you time and making your performance more efficient.

The first case covers:

- SME Definitions (Qualitative, Quantitative)
- Company Types and Comparison
- Management Position descriptions (High and Medium level)
- Leadership Definition
- Register, Growth and Maturity a company
- Invention and Innovation
- Entrepreneurship
- Business Plan
- Write a Business Plan

- Economy
- Macro and Micro Economy
- Digital Economy
- Finance and Re-finance
- Investment
- Loans
- Production
- Marketing and Digital Marketing
- Branding
- Trade
- Bankruptcy

This book has been written based on the newest updated SME articles, books, the experience of Professor Dr. Hamid Doost Mohammadian and some other management and leadership books that is my main focus in the concept to bring target point of each item to prevent any time and resource wasting to whom they want to read and follow SME subjects and along with the descriptions we will bring real examples from both success and fail companies and also give shortcut to their abilities and disabilities.

This book has mostly focus on observation and authors use some kind of survey and interview directly and indirectly, but maybe in middle of completed if need to do any interviews that is not predicted right now we will consider that in this book and second method of gathering require data.

For using references I will focus on International SME companies for case study as our first priority but in any comparison will do that with European (Germany, USA and Denmark).

We will discuss in the next chapters:

- **Chapter 2: Perspectives on Global SMEs:**
  
  This chapter presents an overview about SMEs including definition of small and medium enterprises, Global SMEs, the roles of SMEs in sustainability, importance of education for SMEs and the development of successful SMEs.

- **Chapter 3: Towards Sustainable Global SMEs:**
  
  In this chapter tools and techniques required for successful global SMEs are declared. Proper management and leadership, economic behavior, innovation, high technologies,
knowledgeable and intellectual capitals through education and vocational training are introduced as main tools to achieve successful global SME.

In the second case, sustainability and the role of successful and sustainable SMEs to achieve sustainability and Blue-Green Economy is descanted. In addition, new theory "sustainability plus" introduced and models required to gain Blue-Green Economy towards sustainable development are declared.
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Perspective on Global SMEs

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1. SMEs:

In this section, SMEs and different meanings of SME declared through different organizations are declared.

1.1 SMEs Definition and Characteristic Attribute

Different definitions or criterion are introduced for SMEs through different countries and standards. Generally, SME is about small and medium sized enterprises concerned on manufacturing, agriculture, construction, and service sectors.

SME is about small and medium sized enterprises concerned on manufacturing, agriculture, construction, and service sectors. Small and Medium Enterprises (SMEs) are realized as the backbone of countries through linking with every aspect of the society and economy.

The organization for Economic Cooperation and development (OECD) defines SMEs as non-subsidiary, independent enterprises with up to 249 employees and specific annual turnover about 10 to 50 million related to the size of workers. Generally, these numbers vary from different countries. Based on scale, SMEs are divided to three categories: micro-enterprises with fewer than ten employees, small enterprises with 10 to 49 employees and medium-sized enterprises with 50 to 249 employees.

The other definition was defined by German institute IfM (Institut für Mittelstandsforschung). Based on this meaning SME (kleine und mittlere Unternehmen or KMU) is a kind of firm with annual revenues up to 50 million Euro and a maximum of 499 employees. Ludwig Erhard, the Economics Minister who crafted the post-war (West) Germany’s economic miracle (German: Wirtschaftswunder) warned against reducing the Mittelstand to a mere quantitative definition, but instead emphasized more qualitative characteristics which embody the German Mittelstand, as it is "...much more of an ethos and a fundamental disposition of how one acts and behaves in society". For instance, there are various traits associated with Mittelstand firms, such as: family ownership or family like corporate culture, generational continuity, long term focus, independence, nimbleness, emotional attachment, investment into workforce, flexibility, lean hierarchies, innovativeness, customer focus, social responsibility, strong regional ties and etc.

Fundamentally, SME creation is based on entrepreneurship concept. This concept is required to start up new business, survive and develop it in market especially business market. Harvard Business School defines entrepreneurship as "the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled".

Entrepreneurship is about the process to find, figure out and exploit opportunities independently in an environment. In other words, entrepreneurship is concerned on creating something new, evaluate the risk and rewards related to it that has some features such as identifying opportunities in an environment, mobilizing resources to benefit from advantage of such opportunities, utilizing new or improved goods, products and services to consumers and gaining profit. Personal traits or external constraints such as learning new skills and techniques to
achieve new concept of business, identifying opportunities, mobilizing resources, an act or process, rewards, taking of risk, mitigating it and creation of wealth are needed to achieve entrepreneurship as a fundamental tool and process to create SMEs. Entrepreneurship is one of the main factors required to make SME besides of the other indicators such as the size, annual turnover and qualitative criteria.

In particular, there is no specific and universal definition is realized for SME. Basically, differences of international institutions, national laws and industry definitions create different meaning for SMEs. Quantitative and qualitative indicators are used to realize proper definition for SMEs.

- **SME definition through Quantitative criteria:**

Size and financial criterion are introduced as main quantitative indicators to define SME meaning. Number of employees, annual turnover and annual balance sheet are named as main quantitative indicators by European Commission. In addition, the World Bank utilizes three quantitative criterion including number of employees, total assets in U.S. dollars and annual sales in U.S. dollars to introduce SME definition. These two meanings have differences in financial object. Besides differences in denomination (EUR/USD), financial criterion used by these two organization are different. Generally, definition introduced by European Commission is one of the most popular meanings for SME.

The below figures show SMEs definitions introduced by European Commission and The World Bank.

<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>Headcount: Annual Work Unit</th>
<th>Annual Turnover or</th>
<th>Annual Balance Sheet Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-Sized</td>
<td>&lt;250</td>
<td>&lt;50 Million Euro</td>
<td>&lt;50 Million Euro</td>
</tr>
<tr>
<td>Small</td>
<td>&lt;50</td>
<td>&lt;10 Million Euro</td>
<td>&lt;10 Million Euro</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt;10</td>
<td>&lt;2 Million Euro</td>
<td>&lt;2 Million Euro</td>
</tr>
</tbody>
</table>

**Table 1: Definition of Small and Medium Enterprises with European Union standards**
(European Commission2005)

<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>Number of Employees</th>
<th>Total Assets or</th>
<th>Total Annual Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium</td>
<td>&gt;50; ≤300</td>
<td>&gt;$3.000.000; ≤$15.000.000</td>
<td>&gt;$3.000.000; ≤$15.000.000</td>
</tr>
<tr>
<td>Small</td>
<td>&gt;10; ≤50</td>
<td>&gt;$100.000; ≤$3.000.000</td>
<td>&gt;$100.000; ≤$3.000.000</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt;10</td>
<td>&lt;$100.000</td>
<td>&lt;$100.000</td>
</tr>
</tbody>
</table>

**Table 2: Definition of Small and Medium Enterprises by World Bank Standards**
(Independent Evolution Group 2008)
SME definition through qualitative criteria:

According to qualitative indicators, SMEs have specific features that make them different from large organizations.

Based on Theile’s research, two bases were introduced to recognize small and medium-sized enterprises from large ones: personal principle, unity of leadership and capital.

Personal principal is related to company manager who has a central role in the business decision-making processes and knows about maintaining direct contact with employees, customers, and suppliers. The principle of unity of leadership and capital is about unification of property and management that means “the company manager proprietor are one and the same person”.

In addition, characters including legal form, role of firm owner, and position of firm in the market, structure of organization, economic and legal autonomy are realized as qualitative indicators introduced by Marwede.

Industrial Development Organization of the United Nations (UNIDO) introduces qualitative indicators defining SMEs that is presented in below table.

<table>
<thead>
<tr>
<th>Category</th>
<th>SMEs</th>
<th>Large Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>Proprietor-Entrepreneurship</td>
<td>Manager-Entrepreneurship</td>
</tr>
<tr>
<td></td>
<td>Functions linked to personalities</td>
<td>Division of labor by subject matters</td>
</tr>
<tr>
<td>Personnel</td>
<td>Lack of university graduates</td>
<td>Dominance of university graduates</td>
</tr>
<tr>
<td></td>
<td>All-round knowledge</td>
<td>Specialization</td>
</tr>
<tr>
<td>Organization</td>
<td>Highly personalized contacts</td>
<td>Highly formalized communication</td>
</tr>
<tr>
<td>Sales</td>
<td>Comparative position not defined and uncertain</td>
<td>Strong competitive position</td>
</tr>
<tr>
<td>Buyer's Relations</td>
<td>Unstable</td>
<td>Based on long-term contracts</td>
</tr>
<tr>
<td>Production</td>
<td>Labor intensive</td>
<td>Capital intensive, economics of scale</td>
</tr>
<tr>
<td>Research Development</td>
<td>Following the market, intuitive approach</td>
<td>Industrialized</td>
</tr>
<tr>
<td>Finance</td>
<td>Role of family funds, self-financing</td>
<td>Diversified ownership structure, access to anonymous capital market</td>
</tr>
</tbody>
</table>

Table 3: Qualitative Indicators in Discerning SMEs from Large Companies (UNIDO, 2011)

Fundamentally, these two criterion distinguish definition of SMEs. Although differences in indicators make several meanings for SMEs.
SMEs needs a comprehensive policy framework in order to enhance SMEs growth, help them to deal with their problems, barriers and create successful and effective SMEs. The most important policies realized by EU and OECD are:

- Creating environment that SMEs and family businesses could be survived
- Creating appropriate and friendly atmosphere for working
- Utilizing policies in order to thinking globally, acting regionally
- Making SMEs aligned with single markets and benefit from their opportunities
- Making new opportunities through challenges, barriers and risks by risk management, innovative and sustainable policies
- Improving upgrading skills and innovation in SMEs
- Making SMEs be aligned with growth of markets and benefit from enhancing of all markets
- Proper economic situation for developing SMEs
- Make public administrations responsive to SMEs needs

Generally, these policies could make SMEs improved and tackle with their barriers and challenges faced with. Starting new business, educating vocational and skilled capitals, finance challenges, limited resources, leadership policies, poor management practices, productivity and innovation of SMEs, protectionism culture are the main challenges for SMEs. Fundamentally, SMEs could utilized not only mentioned policies but also new technologies, innovation, management, trained and knowledgeable capitals as means to deal with their barriers. These techniques will be mentioned in the next chapter.

### 1.2 SMEs Importance for Countries

Small and medium scale enterprises play important roles not only in economic growth but also in developing sustainability of countries. So, SMEs could be used as solution to achieve sustainable development through improving inclusive and sustainable economic growth, providing employment and work for all, enhancing sustainable industrialization, utilizing innovation, and reducing environmental challenges. In other words, SME is a path towards green growth and sustainable development through its privileges. SMEs are the backbone of social-economical progress of each country.

Based on researches especially studies done by OECD; the most significant benefits of SMEs are:

- SMEs play important role in achieve inclusive globalization and growth of countries
- SME is proper solution for economic challenges that countries confront with such as low growth, weak trade and investment, and rising, or persistently high inequality through wider eco-system of firms, digital economy, creating opportunities for new jobs and globalization.
• SME is a good base to reduce environmental challenges through creating sustainable patterns of production and consumption, utilizing resources in sustainable path and seizing green business opportunities.

• SMEs through creating opportunities for employment, innovative solutions and technologies, income growth, supplying citizens’ demands and friendly atmosphere create socio-economic well-being be improved.

• SMEs could improve social sustainability in countries through creating opportunities to scale up, accelerating innovation, facilitating spill-overs of technology and managerial know-how, broadening and deepening the skill-set, and enhancing productivity.

• SME is a solution to gain economic sustainable development through creating employment, wealth, alleviating poverty and income generation.

• SMEs through innovation, high technologies, digitalization could participate in global economy in order to enhance economy systems of a country.

• SME makes a country be aligned with citizens’ needs and modern supplies related to growing urbanization. So, SMEs play a role in improving livability and quality of life in each country.

• Creating stable situation of living in countries through its benefits and developing sustainability.

The other privileges of SME for a country is improving entrepreneurship. Fundamentally, SMEs and entrepreneurship development are introduced as paths to economic growth.

SMEs could not only develop economic through its privileges, but also through developing entrepreneurship. Although SMEs and entrepreneurship have same goals, there are different concepts. SME is about a firm and entrepreneurship is the processes to establish SME or business ventures.

Generally, entrepreneurship is about creation of something new and obtain the risk and rewards. It is concerned on skills required to start up new business, assume the risks and develop the winning strategies to achieve business goals. Entrepreneurship is about the fundamental concept to start up SME and SME is about small and medium-sized firm created through entrepreneurship concept. Both of these concepts have same goals such as employment creation, economic growth, economic development, economic transformation, improving socio-politico-economic transformation of national economy. These objects could play important roles in developing economic sustainability. Therefore, SME and entrepreneurship development are realized as instruments of economic backbone of each country.

1.3 Global SMEs

Global SMEs are SMEs that work not only nationally, but also participate in business internationally. Global SMEs are required specific attributes besides of general feature of SMEs. Based on growing of globalization, SMEs start not only to open the local products and services
to the international market, but also to challenge with international competitors in local market. Basically, smallness, flexibility and rapid response to changes are the main features of SMEs make them playing important role in globalization.

Global SME is a kind of ones that has less than 500 employees and maximum 50-million-euro annual revenue per year. Independency and owner-led business entity are qualitative features of global SMEs. In addition, transnational business is a feature of global SMEs that is based on:

- **Internal growth**: It could be achieved through exports, cooperation management, start-ups in international target markets and etc.
- **External growth**: International expansion, mergers and acquisitions are indicators of external growth.

Besides of these factors, specific globalization factors are needed to achieve successful global SMEs. High technologies such as Information Technology (IT), Information and Communications Technology (ICT), Internet of Things (IoT), Internet of Business (IoB), Internet of Energy (IoE), Internet of Manufacturing (IoM), and digitalization, innovation, networks, quality standard options and internationalization are the main specific globalization factors. In other words, these indicators are required to gain SME which is able to participate in business internationally. Furthermore, international management is one of the other main factors required to gain successful global SME. Intercultural negotiation, intercultural communication, international teamwork, intercultural leadership, expatriate management, international HRM, international strategy and international business environment are the main indicators of the international management.

Generally, international management and all its’ indicators are concerned on culture. In other words, focusing on culture and its’ parts are vital to develop proper international management in order to gain successful global SME. Culture is about language, religion, food, traditions, medical care, folk arts, celebrations, dressings and clothes, manners, jokes, buildings, child-rearing methods, beliefs and values of each nationality. Culture directly or indirectly influence on international management and it should be focused to gain successful global SME, because culture plays an important role in international community and management. Besides of culture, politic and economic systems play roles in Global SMEs function. So, management not only based on cultural norms, but also focuses on politic and economic systems are needed to create SMEs that could work in International market.

In particular, SMEs confront two aspects in internationalization: static aspect and dynamic aspect. Static aspect concerns on the resources committed to the aims of the market and the knowledge focused on. The dynamic aspect includes impacts of resources on decision making in time and the decisions related to the progress of on-going activities. Based on interaction of these two aspects, SMEs will gradually promote their function in international market by converting itself with more sophisticated strategies due to the knowledge and experiences acquired from the international performance.

Fundamentally, Global SMEs are required for countries to create international and global communities in order to improve not only economic situation, but also develop social sustainability.
1.4 SMEs and Globalization

It is believed that improving technologies such as IT, ICT, IoE, IoT, IoB, IoM, business processes services and etc., make SMEs to be able to participate in international market.

Generally, SMEs confront significant obstacles to access to international markets. Export barriers are significant challenge for SMEs. The most important ones are shown in below figure

![Figure 1: Barriers for SMEs (OECD, 2012)](image)

Besides of these barriers, the main internal and external obstacles that SMEs tackle within order to participate in international market are:

- Shortage of working capital to finance exports
- Identifying foreign business opportunities
- Limited information to locate/analyze markets
- Inability to contact potential overseas customers
- Obtain reliable foreign representation
- Lack of managerial time to deal with internationalization
- Inadequate quantity of untrained personnel
- Difficulty in matching competitors' prices
- Lack of home government assistance
- Excessive transportation insurance costs

It is vital to find out solutions and strategies to struggle with these barriers in order to make SMEs as Global ones, because Global SMEs have significant privileges for a firm such as:
• Improving technological quality and service standards in the firms
• Generating more revenues and funds for reinvestment and further growth
• exploiting idle operating capacity and improving production efficiency
• attracting and rewarding shareholders and employees through the creation of a better profit base
• To gain knowledge about other clients and markets, the capacity of competitors at a global level in a particular industry or sector, and even the cultural diversity typical of teams in global companies.
• Benefit from of other markets growth
• Using economics of scale and reach in order to improve economic situation of a firm
• Learn to be more competitive to survive in business market

In addition, economic development like increasing in foreign exchange reserves, jobs employment and creation, better paying and higher value added exports for a country would be gained through Global SME.

Generally, specific solutions are presented for SMEs to struggle with their barriers:

✓ Increase access to information on market opportunities
✓ Enhance market development and promotion of skills
✓ Identify barriers that SMEs confront with and find solutions to participate in international trade/markets

Besides of these solutions, Europe Commission presented actions for small and large firms to be able to work in international market:

➢ Improving the existing supply of support services
➢ Making support schemes at EU level more consistent
➢ Improving networks for SME internationalization
➢ Rationalizing new activities in priority markets
➢ Leveraging existing EU external policies

Fundamentally, high technologies, IT, ICT, digitalization, network, innovation, proper management could be used as techniques to create strategies, policies and models to struggle with these barriers and make SMEs as global ones in order to benefit from advantages and improve sustainability of a country.

2. Education and Training for SMEs

To achieve successful global SMEs in order to create sustainable countries with high quality of livability and quality of life, educated and skillful capitals are required. In particular, global
SMEs needs new academic training and vocational education as tools to grow up professional capitals in order to gain successful results. Education in different scales like regional, national and international levels are essential to achieve successful global SMEs.

Education and training are SMEs traits and there are required to create effective SMEs. In this section, barriers, opportunities of education concerned on SMEs and its’ levels are explored.

2.1 Challenges and Opportunities for New Academic and Vocational Training

Vocational training and education is a kind of education needed for SMEs and all businesses to compete on the quality of goods and services in international and local markets. Based on OECD researches, vocational education and training is needed for creating successful SMEs. The most important reasons are:

- Although many firms have specific trains for their employees, there aren’t sufficient and effective enough. General skills though education are required for training successful and skillful employees.
- Inexperienced young people would be ready for job through such education and employers will be willing to hire such employees. So, unemployment of young capital could be reduced.
- Employees with lower level of education and high additional skills like experience are reluctant to participate in courses held by firms in order to develop new skills. So, improving skills of experienced employers will be reduced. Such education will help employers to develop their skills in order to promote firms functions.
- This kind of education will promote the skills of workmates such as innovation, utilizing high technologies in performance and etc.

Besides of these reasons, there are challenges such as qualified and knowledgeable capitals, utilizing high technologies, using resources in proper way, competing with larger firms and etc., which increase the role of vocational training and education on SMEs function. In addition, vocational education is required to struggle with challenges appeared through internationalization. The most important ones are:

- Increasing competition by foreign suppliers and micro companies outside crafts
- Change in demand structures and markets through different needs of different culture
- Changes in the labor market in the context of labor migration, increasing reliance on flexible labor (seasonal work, job agencies, part-time work etc.) and pressure on labor costs.
- Changes in political and other forms of regulation, e.g. decreasing role of local financial institutions like saving banks or co-operative banks and increasing role of institutional investors.
- Skill shortages, poor management practices and workforce training make SME productivity reduced.
It is vital to struggle with these challenges to maintain the SME in business market. Skilled labor is needed to confront with these challenges. In other words, lack of skill and knowledgeable is not only significant challenge for SMEs, but also it increases negative impacts of other challenges SMEs confront with.

In particular, vocational education and training is needed to train skillful, expert and knowledgeable capitals to struggle with problems that SMEs confront with. Besides of this kind of education, other techniques are vital such as innovation, digitalization and others that they will be declared in the next chapter.

Generally, there are three main categories of barriers that vocational training confronts with:

- SME internal barriers and obstacles for training
- Proper methods and techniques for training
- Coping with current and structural challenges of competence development

The below table presents these barriers completely:

| SME internal barriers and obstacles for training | • Organizational barriers and obstacles
|                                               | • Financial challenges including financial means and resources for training
|                                               | • HR and skill development policies, strategies and plans
|                                               | • Awareness of training requires by entrepreneurs, managers and employees
|                                               | • SME cooperation in training and competence development
| Proper methods and techniques for training      | • Training methods concerned on SMEs’ needs such as job rotation and etc.
|                                               | • Training and competence development in order to train skillful entrepreneur and managerial staff
|                                               | • Conformational of informal skills and qualification
| Coping with current and structural challenges of competence development | • Attracting younger and qualified employees
|                                               | • Improving competition in global market
|                                               | • Improving business environment for women
|                                               | • Demographic change and greying of the workforce

Table 4: Barriers of Vocational Training
(SME Training Guide by OECD, 2009)

Fundamentally, vocational training is required to accelerate economic growth, reduce youth unemployment and make economic globalized.

2.2 Toolbox: Practical Academic Education

There are three categories realized for improving practical academic education concerned on SMEs in order to create successful and effective SMEs and global SMEs with high productivity and proper results to enhance economic situation and develop sustainability in countries. These categories are concerned on not only theoretical and academic knowledge, but also
vocational ability, because both abilities are needed to make SMEs be improved. The suggested categories are:

- **Preparation:**

  Preparation is concerned on personal competency, compoenence of action and decision-making, social and communicative competency, professional and methodological competency. It is concerned on what types of education, programs, knowledge are needed for students in specific period for instance five years in order to gain development of programs. In addition, it is needed to develop these programs in different scales such as regional, national and international. Fundamentally, such programs could train students think innovative, effective; find out problems, share them and analyze them in order to find out solutions and evaluate projects. In other words, it helps students to be skillful, expert and knowledgeable staffs who are qualified enough to make successful SMEs.

- **Institutional Infrastructure**

  Institutional infrastructure is vital for SME development. Intuitional infrastructure including different aspects such as policies and strategies to encourage and support small and medium sized enterprises, creating national agencies and services to promote SME development, creating institution to support SMEs at local level, policies for government departments and ministries to support SMEs is needed for education, training, consulting and information related to SMEs in order to make them be improved and growth. Institutional infrastructure concerned on high technologies such as smartness and digitalization, information technology, financial support, management, risk management, innovation education and skillful capitals could be appropriate tools to make SMEs be successful. In fact, institute for business foundation, sustainable governance, sustainable and innovative solutions, institute concerned on education, development and service centers to train and educate students as vocational and skillful capitals are find out as main segments of institutional infrastructure. The most important institution established to support SMEs growth in different countries are:
  - **National agency for development of SMEs and entrepreneurship**

    The main role of national agency is to implement the government strategies and policies for SME sector. Generally, making government policies as path to create successful SMEs through proposal for government concerned on SMEs, analysis of SMEs situation, annual reports of SMEs, providing local services for SMEs and policies to support enterprises.

  - **Regional agencies for SMEs development and growth**

    Implementation of government programs in specific regions is the main goal of regional agencies. These agencies focus on non-financial services in education, consulting, informing and promotion areas.

  - **Business and financial institutions**
The main aim of business and financial institutions is to make SMEs be survived through struggling with their challenges confronted with such as lack of information, capital insufficiency, improper management, leadership and etc. Generally, these institutions’ success depend on the strategy motivated the entrepreneurship, the policy which provides and supports business infrastructure; the association with the private sector for mentoring and marketing, partnership with promotion of entrepreneurship and cultural changes. Fundamentally, such insinuation could play important roles in making SMEs be successful.

- **Educational institutions and agencies**

  Education sectors could improve SMEs function through utilizing new technologies, improvement of entrepreneurship, provide and train professional capitals in different areas and development of the entrepreneurial culture.

- **Entrepreneurial associations**

  Establishment of legal framework and strategies to improve function of SMEs; providing consulting services; organization concerned on trainings and other educational programs for different activities; providing of administrative and accounting services to members, etc., are the main functions of entrepreneurial associations in order to improve SMEs procedure.

- **NGOs, consulting networks and other agencies to support SME institution**

  Such institutes will help SMEs function through improving quality and ability of local consultants and increased demands for the use of their services by SMEs.

Fundamentally, institutional infrastructure and services could help SMEs be improved and grown through reducing and minimizing entrepreneurial risks, improving management, training professionals, enhancing of market access and development of SMEs.

- **Teaching Approaches**

  Education for entrepreneurship including the ability to think creatively and innovatively, to work in team, to utilize risk management in order to manage and reduce risks threaten the future of the SMEs, to do the best leadership, to train vocational and professional capitals, to train how to start up successful businesses and manage is required as a toolbox of practical academic education. The main objectives of teaching concerned on SMEs are categorized in three classes:

  - The attainment of key skills
  - The improvement of personal and social skills
  - Skills relating to business startup or financial ability and management

In order to gain these aims, proper education programs are required. There are three forms of program are realized:

- **Education-based programs:**

  Education for entrepreneurship as a distinct subject integrated in curriculum could be useful for starting up SMEs. Although Education-based programs are usually are used
in secondary schools or at universities, the programs for pupils at primary school levels are existed such as programs run by Junior Achievement in the United States, and the New Zealand Primary Enterprise Program (PrEP). Berger Entrepreneurship Program at the University of Arizona including departments of finance, economics, marketing, and management is a proper sample of education program at university level. Competitive advantage, venture finance, market research and business plans development are the main core of this program.

- **Award schemes**
  ASDAN is a good example of award scheme in UK. In this scheme students receive credits for completing challenges in science and technology, work related activities and information transmissions.

- **Partnership schemes**
  Young Achievement Austria offered programs concerned on linkage of education and industry is a good sample of partnership scheme. Their programs include business cycle, training of responsibility about essential business processes, management training to raise capitals to liquidating the company.

In order to gain proper education approaches, methods to evaluate education for entrepreneurship programs are required. Accordingly, the key components are shown in below figure:

![Figure 2: Education for Entrepreneurs: Key Components (OECD, 2009)](image)
3. Human Resource

Since 1960 when value of labors and issues such as motivation, organizational behavior, and selection assessments appeared, human resource has declared as fundamental phenomena. Human resource (HR) is concerned on both the people who work for an organization or firm and the department responsible for managing resources related to employees. In this section, human resource management and its roles in development of SMEs are mentioned.

3.1 Human Resource

Human resource department plays important roles in development of organization. Based on references provided by the decision makers and duties, HR can play several roles in firms. In general, human resource is about function in firms that deals with people and issues related to people. HR has important roles in organization performance. For instance, Mathis & Jackson declared three categories of roles for HR:

- Administrative Role
- Operational and Employee Advocate Role
- Strategic Role

There are different theories concerned on human resources that below table presents some of them:

<table>
<thead>
<tr>
<th>Theories</th>
<th>Human Resource lessons/ Assumptions/ Implications</th>
</tr>
</thead>
</table>
| Resource dependence theory | • Scarcities of resources determine policies and procedures to be adapted by firms  
|                         | • Employees are scarce resources, that should be managed                                                      |
| Competitive advantage theory | • Firms should capitalize on competitive advantage that it has over other competitors.  
|                         | • A labour is rare resource, immutable, non-substituted and valuable.                                         
|                         | • Creation and support of organizational culture are vital to achieve competitive advantages.                   |
| Industrial theory      | • Firm's norms, values, attitudes and myths are main reasons of their failures or success.                      
|                         | • Being rationalized is needed to gain high effectiveness.                                                     |
| Agency theory          | • The employers and employee have a relationship.                                                              
|                         | • As there may be disagreement between two, legal implications have to be carefully considered.                |
| General system theory  | • Organizations are complex system.                                                                           
|                         | • Human resource management is a sub system.                                                                    
|                         | • Failure or success of each component would influence on organization.                                        |
| Human capital theory   | • People are valuable assets and they are needed for economic growth.                                          
|                         | • Invest in people as one does in other assets.                                                                 |
Organizational life cycle theory
- Firms develop in stages like start up, growth, maturity, decline and revival.
- Manage human resources based on stages of organization growth.

Role behavior theory
- The tools utilized by firms to send role of information determines role response.
- Human resource should be concerned on enhancing role of information for labour.
- Firms cross through different forms, quality, and states.
- Human resource management focus on ensuring proportion among stated goals, changes and performance.

Organizational change theory
- Firms cross through different forms, quality, and states.
- Human resource management focus on ensuring proportion among stated goals, changes and performance.

Transaction cost theory
- It is related to economic idea of governance framework in business transaction.
- It is concerned on cost of establishment, monitoring, evaluation and enforcement of exchanges.
- When managers have limited information for decision making before transaction, they should care to reduce risks.
- Managers should try to improve opportunities that are used by employees.
- Human resource management should reduce restrictions related employment like reviewing contracts and etc.

Strategic contingency theory
- Firms should adopt to several strategic typologies.
- Organizational environment could influence on choice of typology.
- Human resource management should be aligned with selected typology.

Organizational learning theory
- Ability to learn could impact on success of an organization.
- Employees need to be trained in order to improve their knowledge, expert and etc.
- Human resource management should focus on continuous learning.

Table 5: Theories of Human Resource
(Itika, 2011)

HR would help firms compete in global market and deal with competitive challenges such as globalization, profitability through growth, utilizing high technology, intellectual capital, and etc. HR could turn strategy into action in order to manage processes efficiently, maximize employee contribution and commitment; and make situation with the lowest change towards high productivity and efficiency. In addition, it could play roles in selecting teams be used on projects or employees be participated for project. HR is a change agent that is building the firm’s capacity to embrace, control and capitalize on change.

In particular, there are three kinds of international HR:
- **Parent Country National (PCN):**
  This category is about situation when a company recruits employees from its own country. A German company with German employees in Iran, is an example of this type.
- **Host Country National (HCN):**
This type is concerned on a situation that a company selects and recruits all its employees from host (second) country. A German company with Iranian employees in Iran, is an example of this type.

- **Third Country National (TCN):**

This type is a kind of IHR that the employees are selected from third country. In other words, based on this type, employees of a global firm aren’t allocated to company’s country or host country; it is related to third country. A German company in Iran with Italian employees is an example of this category.

The below table presents these tree types:

<table>
<thead>
<tr>
<th>Parent Country Nationals (PCNs)</th>
<th>Host Country Nationals (HCNs)</th>
<th>Third Country Nationals (TCNs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Be familiar with home office, goals, practices and etc.</td>
<td>Be familiar with the situation in host country</td>
<td>Salary and benefit requirements lower than that of PCNs</td>
</tr>
<tr>
<td>Easy organizational control and coordination</td>
<td>Lower hiring cost</td>
<td>May be better informed about host country environment</td>
</tr>
<tr>
<td>Difficulty in adopting to foreign country</td>
<td>Difficulty in exercising effective control over the subsidiary’s operations</td>
<td>Host country govt. may resent hiring TCNs</td>
</tr>
<tr>
<td>Excessive cost of selecting, training and preserving expatriates</td>
<td>Communication problems with home office personnel</td>
<td>May not return to their country after assignment</td>
</tr>
</tbody>
</table>

Table 6: International Employees (https://www.slideshare.net)

Human resource is vital for SMEs growth and development as well as large companies. Therefore, HR is required for all businesses. Small and medium enterprises confront challenges concerned on HR, so they rarely focus on HR department and its fundamental roles such as developing and sustaining competitive advantages. The main reason that makes SMEs not to focus on HR is related to less formalized performance appraisals, less likelihood of bonuses based on company productivity and less training than larger companies do. In addition, more flexible and informal manner are in small firms that make them not to concern on HR. Although to size of organization is not related to HR department and performance, it could influence on attending organization about HR department. Fundamentally, HR would play important role in SMEs growth and development. Therefore, role of human resource management in SMEs will be investigated in next section.

### 3.2 Human Resource Management

Human resource management (HRM) is about the process concerned on bringing people and organizations together to achieve their goals. In particular, it is a kind of management process that is related to the management of human resources in an organization. HRM strives to achieve organizational and individual goals through most effective use of people. Fundamen-
tally, the main aim of HRM is to improve business efficiency, productivity and output of employees in strategic, social and ethical responsible path. In addition, HRM is a tool to tackle organizational challenges in order to achieve productive improvement, enhancing quality of working life, improving safety and health, providing equal employment opportunity towards successful business with high efficiency and productivity.

Human resource management is vital for every business especially SMEs to be successful. As labors play fundamental role in achieving SMEs objective and business development, human resource management is needed.

Generally human resource management is about policy and practice founded on executing on management tasks relating to personnel issues like employment/hiring, education, evaluation and rewarding of SME employees and provision of safe, ethically acceptable and etc. The main area that HRM concerned on are:

- Work Analysis
- Workplaces and recruiting planning of candidates for the job,
- Choosing the candidates for job
- Training of new employees
- Evaluating efficiency and productivity
- Management of the employees’ salaries,
- Providing benefits and privileges for employees,
- Communication with employees,
- Improvement of employees through proper education
- Creation of the spirit of dedication for employees.

In general, HRM includes organization activities such as strategic human resource management, human capital management, corporate social responsibility, knowledge management, organizational development, securing resources, management performance, learning and development, compensation management, employee relations, employee welfare, health and safety and the provision of services for employees.

Huselid studies showed there are three main keys to shape firm performance through HRM:

- To increase employees’ knowledge, skills, and abilities (KSAs);
- To motivate employees to leverage their KSAs for the firm’s benefits and privileges
- Empowerment employees to do so.

HRM within SMEs is not only required to improve productivity and the quality of work life for employees, but also but also comply with laws and regulations, improve workforce flexibility and obtain competitive advantages. Therefore, SMEs need to focus on HR management tasks such as analyzing and classifying work; hiring and firing employees; motivating employees;
training employees; performance evaluation of employees; compensation and benefit allocation in order to gain their objectives, goals, high efficiency and productivity. Fundamentally, human resource development (HDR) that covers HRM is vital for SMEs growth.

3.3 Human Resource Development

In recent decades, human resource development (HRD) has been introduced as a broader idea than HRM that is needed for business development. It is vital to improve the quality of human capital and create sustainable competitive advantage. In other words, HRD strives employees to improve and develop their knowledge, skills and abilities for both personal growth and organizational effectiveness.

HRD is concerned on five rights to help SMEs towards their goals:

- **Right sight** that is concerned on capable staff at right position and location.
- **Right size** that is related to required staffs and labors for specific position to achieve firm's goals.
- **Right spend** is concerned on estimating right cost towards successful business.
- **Right skills** means that skillful, expert and right labors are needed for obtaining firm's goals.
- **Right shape** focuses on right composition of workforce.

In particular, human resource development is about process of developing and unleashing human expertise through human resource component including human resource management, human resource assessment and human resource planning, organizational development, career development, training and development.

The most important benefits that are obtained through HRD are:

- HRD develops new skill, knowledge and attitude of the people in the firms.
- Employees become more entrusted for their job via HRD.
- Proper environment of trust and respect could be created through HRD.
- Qualified employees who are better equipped with problem-solving capabilities will be trained through HRD.

4. Towards Business Development

A country needs business development to gain economic sustainability in order to achieve developed country. So, it is vital to make businesses and economic be developed. SMEs and family firms in this research are introduced as tools to improve economic situation through struggling with economic challenges and making them as new opportunities. Generally, these can create sustainable economic situation and globalization. In addition, independency of businesses is the other indicator needed to gain business development.
4.1 Set up a Small Medium Sized Enterprise

Fundamentally, small and medium scale enterprises are needed for rapid and sustained economic growth and development. In other words, SMEs could be used as a tool to enhance business condition through creating new opportunities of job, making economic sustainability, promoting growth, industrial dispersal, technological and industrial development, reduction of poverty and balanced income distribution. In addition, their flexibility makes them be adapted to the business environment and economical fluctuations, so economic situation could be enhanced.

Generally, governments and economies need to enable people to create and start up entrepreneurship in order to participate in growth of economy. By the same time, support of local government, private sector and civil society are needed to increase the contribution of SMEs to local economic development. SMEs couldn’t achieve business development without proper strategies, government policies, factors made successful SMEs such as innovation, risk management and etc. These techniques will be explored in next chapters. In other words, setting up successful SMEs is a tool to make business development of a country.

To set up small and medium sized enterprises some stages are required:

The first step to create SME, is to have enterprise concept. It is about new and innovative idea to start up small and medium sized business concerned on entrepreneurship. As it was mentioned, entrepreneurship is about creating something new, evaluate the risk and rewards to gain success in new ventures.

Being aligned with entrepreneurial decision process is the second stage. In this stage, it is required to move from present lifestyle to form a new enterprise.

The third stage is concerned on ethics and social responsibility for entrepreneurs. Making a balance among ethical necessity, economic feasibility, and social responsibility to deal with challenges, restrictions, stressful conditions and difficulties are required to develop enterprise concept towards successful business.

Ethics and social responsibility play significant role in decision making process. Ethical principles lead entrepreneurs to be honest and profitable entrepreneurship decisions and social responsibility component reminds them to make entrepreneurial decisions based on improving benefits and maintaining to the stakeholders. Social responsibility could influence on businesses to participate successfully in global market. Ethics and social responsibility have different dimensions that are shown in below figures:
Fundamentally, ethics and social responsibility are required to develop a new small and medium sized enterprises.

The fourth stage is about independency. Independency is an important factor to make enterprises successful. Entrepreneur should learn to think, act, manage, control, and implement processes in all levels independently. In other words, a successful entrepreneur must be able to think and to do that independently. Generally, SMEs need to be independent business to be successful. Independency is required for an entrepreneur. Indecency in all processes and levels of a business such as concept, business plan, implementation of ideas, advertising and etc., are needed to gain successful independent start up.

The next step is developing business plan and business model to achieve goals of new enterprises through different techniques and tools. This step is declared totally in the next section.

The last step is about marketing. Marketing is not only important for large businesses, but also small and medium enterprises. In general, marketing activities are required to maintain and grow such businesses in business environment. Marketing in SMEs is declared in the future sections.

4.2 Set up a Family and Medium Sized Companies

Family firm is one of the most popular kind of SMEs. Most of family businesses are SMEs and most of SMEs are family firms. This kind of business could play an important role in business development not only because they make a vital contribution to the economy, but also because of the long-term stability they bring, the responsibility they feel as owners, power and organizational climate and the values they stand for. For instance, 60% of all European companies are family businesses.
Churchill and Hatten described the framework for successful family firms included four stages: 
a owner-management is the first stage, that the owner is the only member of the family directly involved in the business; training and development is the second stage, where the offspring learns about business; the third stage is about a partnership between father and son; and a power transfer stage, where responsibilities turn to the successor is the last stage.

Combination of two systems the family and the business create SMEs concerned in family business. Family firm is about independent and self-reliable business run by actual persons that has three main indicators: family ownership, family management and family member employment. Although family firms include both family and non-family members as employees, the population of non-family employees may be of a considerable size.

In general, family enterprise includes financial, real estate, philanthropic, heirloom and deferred asset to be managed.

The model concerned on family business indicators was realized by Tagiuri & Davis in 1982.

Based on this model, ownership is a key used to make clear distinction between family and non-family business. Ownership is the most significant parameters made family firms. Same as all SMEs family businesses need policies and strategies such as innovation, risk management, business management policies and other proper strategies to be successful. Besides of these policies, family governance is required to make successful family firm with high efficiency. Family governance is concerned on minimizing potential tensions, particularly within the family and between the family and the business aspects.

As many SMEs are family firms, there could be named as an indicator towards business development.
5. Developing of Business Plan and Business Models for Global SMEs

Detailed plan, scenario and diligent business plan are needed to make successful and sustainable SMEs. In this section, besides of the role of business plan and its' importance on SMEs function; stages that are needed to set up an enterprise are presented.

5.1 Enterprise Concept

It is vital to conceptualize business and enterprise ideas to be aligned with complexity, dynamism, suppliers' needs, and global demands in order to improve business function. Enterprise concept is the fundamental idea behind a business. Basically, new business concept could be created through starting a business from scratch or adding a new service or line of products to old market as serving new ones in market. Costumers are an indicator to determine whether the new business concept succeeds or fails. Enterprise concept is required to develop business ideas in order to make a business plan and launch a firm.

Generally, enterprise will improve wealth for all stakeholders including customers, suppliers, employees, investors, enterprisers etc. So, it is needed to utilized plan as enterprise concept tool to promote people interacting and collaborating in searching and producing an enterprise vision.

Enterprise concept is about an idea for business including basic information such as information about services, products, the targets and selling situations that gives a company benefits over competitors. In addition, it includes ideas about new product or new approach and process towards successful marketing or delivering an existing product. When a concept is developed, it is incorporated to a business plan.

There are seven types of business and enterprise concept are declared:

- **Mission**: This type is concerned on purpose or mission.
- **Business Model**: It is about model to capture value.
- **Competitive advantages**: It focuses on an area that the business will outcompete.
- **Social**: It is about the business concept that is concerned on social terms such as fashion brands
- **Costumer Experience**: It is related to idea of costumer experience and its feelings about products or services.
- **Quality**: It is concerned on promoting the value of products or services.
- **Customer Needs**: It is about addressing costumers' needs that aren’t well served through markets.

Several techniques could be used to generate enterprise concept such as brainstorming, focus group, observation, surveys, emerging trends, research and development, tradeshows and association meeting, other techniques. In other words, these techniques are tools to motivate entrepreneur create innovative concept.
Brainstorming:
It is a method used to generate, create ideas and find creative solutions to problems through freewheeling group discussion.

Focus Group:
It is about a group of individuals who provide information using a structured format. A moderator will lead a group of people through an open, in-depth discussion. A discussion in open-end environment is held in order to create new product in market.

Surveys:
This method includes the process to gather data based on communication with a representative sample of individuals. Questionnaires or interviews are used to gather data and information.

Observation:
This method concerns describing a person or group of people’s behavior through some questions such as:
- What do customers and organization buy?
- What couldn’t buy although they want?
- What do they buy but they don’t like?
- Where do they buy? How and when?
- Why do they buy?
- What might they need but they couldn’t buy?

Emerging Trends:
It is a method, based on the population within your area may be getting older and creating demand for new products and services.

Research and Development:
Research is a method and planned activity concerned on finding out new knowledge in order to develop new or improved products and services. Researching new methods, skills and techniques make entrepreneur to improve their performances and create better products and services.

Tradeshows and Association Meeting:
It is a method used to examine the products of competitors, find out product trends and identify potential products.

Other Techniques:
Reading relevant trade magazines and browsing through trade directories could be settled in this category. These may focus on not only local publications, but also foreign and international ones.
Besides of these techniques, innovation and creativity could be significant motivation for creating business ideas. In addition, high technologies and digitalization are motivation to create innovative business concepts in order to start up new enterprise.

Fundamentally, the enterprise concept is needed to be enhanced and promoted in order to be implemented and create new successful services and products in market.

5.2 Developing the Enterprise Concept

Enterprise concept is required to start up successful and new business. It is about fundamental idea behind a business. A good enterprise concept is an invention, a new product or service, an original idea or solution to problems.

Generally, enterprise concept includes mission, vision, values, voice, objectives, strategies and tactics that they are used in creating business plan.

- Positioning: It is related to the space that an entrepreneur wants to remind of costumers when they think about his brand. It is the first step of enterprise concept.
- Mission: It is about main purpose that means why this enterprises is started.
- Vision: It is related to the ideal of what this organization does. In other words, it focuses on what is done to accomplish this mission.
- Values: Values are concerned on the principles that the business ran for. It is required that entrepreneurs communicate their values with his customers.
- Voice: It is related to how the business is presented and how is declared to costumers.
- Objectives: Objectives are about what entrepreneur seeks to accomplish in a year. Objectives are frequently changed.
- Strategies: Strategies are plans used to accomplish business objectives.
- Tactics: Tactics are specific programs that is used to fulfill strategies to accomplish objectives. After this step, business plan is created through enterprise concept stages.

In addition, opportunities and risks opportunities of a business concept and enterprise concept is realized in this stage. After this stage, business plan should be written and designed in order to help businesses to know an overview of main concept and perform in the best path.

Besides of these steps, develops business concept; innovation and creativity are needed. It means that creating creative business concept is a path to develop it. Innovation is a way to develop business concept.

It could be concluded that there are some tasks and steps made enterprise concept developed:

- Indicating the value position of the business idea
- Determining products and services with prospective customers
- Achievement of the market using in depth market research
✓ Analyzing the competitors
✓ Realizing possible strategies related to new start up
✓ Set approximate targets and prepare first-cut financial projections
✓ Preparing first and simple action plan
✓ Examining ideas from all angles

Fundamentally, these tasks will help enterprise to develop their ideas in proper way to write appropriate business plan.

5.3 Business Plan

Business plan is needed for not only large businesses but also for small and medium sized ones to enable them to take benefits, advantages and opportunities for local and international development. The business plan includes a schedule, plan and budget concerned on analysis of finances, costumers, markets, competition, opportunities and risks. In general, business idea, market analysis, marketing strategies and financial analysis are the main component of business plan.

Generally, there are four main reasons for utilizing business plan:

- The business plan is the roadmap of the business. Business plan presents goals, strategies and plans to achieve the main vision of the enterprises for the venture.
- Business plan is vital for investors and lenders to be able know about the business in order to support it financially.
- Business plan could be used as tool to measure the business progress through goals and objectives that are mentioned at first.
- Business plan could test the feasibility of your business idea.

Fundamentally, the proper business plan presents current activities and future direction of the organization, aims, objectives, strategies and policies developed to gain performance in order to create successful enterprises.

Proper business plan has some features and sections such as:

- **Easy to read:** The business plan should write in a proper and simple way to be understandable for whom reads it.
- **Market Intelligence**
  Generally, costumers and investors are interested in reacting the market and how the products and services receive. So, the market has to analyze and indicate that how customers will benefit from the products and services.
- **Distribution plan:** This kind of plan includes logistics, warehousing and delivery arrangements.
• **Business Uniqueness and Competitive Advantages:** It is about what makes a competitive advantage for a business in marketplace.

• **Management:** It is a part of proper business plan. Management mentions policies and strategies used to run a business. In addition, organization’s management concerned on experience, professional qualifications and achievements are presented in business plan.

• **Projections:** Projections are related to future activities and performance. Realistic, sustainable, and credible are main features that projections need to be validated.

• **End user in focus:** Business plan should be designed in a path that is end user in mind.

Generally, these features make business plan suitable and proper in order to be used by entrepreneur to create successful business.

In addition, a business plan has specific structure including:

- **Business overview:** It is related to business concept and includes component of business concept such as vision, mission and corporate values.

- **Business goals and objectives:** This section includes results that the business wants to gain them, and objectives related to these goals. Objectives should be specific, measurable, attainable, reasonable and timely.

- **Business strategies and factors needed for success:** This is concerned on strategies and policies used by businesses to achieve its vision, mission, goals, and objectives.

In addition, some factors could help businesses to be successful and sustainable. The most important ones are:

- ✓ Utilizing new technologies such as IT, ICT and digitalization
- ✓ Hiring human resources
- ✓ Strategic location
- ✓ Distribution channels and marketing strategies
- ✓ Government laws and regulation
- ✓ Enhancing services or customer focus
- ✓ Improving operations and performances in order to gain best practice

- **Organizational ownership and management:** Organizational structure involves organizational chart to explain the communicate, operational processes, reporting lines, and the linking mechanisms between the roles and responsibilities. In addition, the business plan should present the ownership and management structure of the business. Generally, the names, position, primary responsibilities, education, experience and skills, past employment and track records, industry recognition and compensation levels and basis must indicate in business plan.
Fundamentally, utilizing business plan by small and medium enterprise are important in order to gain its aims and objectives of the business. In particular, it helps organization to run its business with clear vision, mission and objective. Furthermore, it helps the stakeholders, shareholders, management, staff and even customers to understand the business towards improving the chances of success. In general, business plan shows the pathway to successful operations in order to attract financial institutions or other lenders to invest in this business. So, business plan is needed for SMEs to achieve their goals and attract investors in their projects towards successful and sustainable businesses.

Germany is very powerful in issues related to SMEs. Therefore, IFM research about importance of business plan and proper business plan are declared in following context in order to find out more about business plan:

IFM believes that: "Business plan enables small and medium-sized companies and craft enterprises with the help of the INQA corporate check "Guter Mittelstand" to uncover the potential of your company and systematically exploit it through business planning ".

The business plan supports companies for the holistic planning and control of business processes. In particular, for the preparation of financing requests, a corresponding corporate planning is recommended. More information for companies can be found here.

The Guter Mittelstand: In contrast to other business plan templates, business plan not only provides a scheme for the description, but also a strengths and weaknesses analysis on the basis of the proven INQA corporate check book Guter Mittelstand. The analysis forms the basis for the creation of the business plan. The implementation enables:

1. Uncover strengths to further develop them
2. make better use of existing resources
3. To find weak points in the organization and in the operational procedure
4. Improvements in workflows

According to The “Guter Mittelstand” researches, 11 characters for successful SMEs are introduced:

1. **Strategy**
   It is about where the best market opportunities are existed and where the company is able to be better than our competitors. Strategy is concerned on clear idea of how to organize and design the work in the company to take advantage of our opportunities.

2. **Liquidity**
   It is required to control and monitor the cash outflows and receipts, as well as the liquidity, so that sound management is possible at all times

3. **Risk Assessment**
   It is systematically record and assess the risks in a company (for example, risks in the areas of finance, customers, production / services, IT, occupational and environmental protection, health, human resources).
4. **Leadership**

Personnel management of the future reflects both the individual needs of employees, and develops new approaches to work organisation and working time. The Initiative New Quality of Work offers employers and employees a variety of ideas in the field of personnel management.

Faced with a looming shortage of qualified workers in a variety of sectors, with an ageing workforce and with the shift in values as the Millennial Generation enters the labour market – combined with the impacts of social media – companies are called upon to thoroughly review and to re-orientate their personnel management. Not standardised but personalised personnel development, which reflects the stage in life of employees and which strengthens their involvement, will take on increasing importance within companies. This approach to personnel management which focuses on independence, on phases in life and on individual employees, is recognised by the Initiative New Quality of Work to be one of - if not the - most important spheres of action for companies: it is central for those companies wishing to secure their future and to expand their innovation capabilities. New thinking in personnel management is characterised by:

- Reflecting the (individual) needs of people of different ages and genders in their working day with regard to work organisation, work location and working time;
- Facilitating a high degree of flexibility and life-phase orientation in work, by offering different (family friendly) career development pathways and leave options, while in doing so making full use of innovative personnel instruments, remuneration and benefits packages.
- Championing good leadership, a motivational work environment, open communications and offering fora for employees to make themselves heard and to give input into decision-making.

In particular those with personnel management and leadership responsibility in companies are called upon to actively shape this change. Practically, this means thoroughly assessing established instruments of personnel management, as well as the corporate culture, to ensure that they are fit for their purpose, and innovating in personnel management where necessary.

The Initiative New Quality of Work supports companies in implementing a tailored and integrated overarching approach to personnel management. Important aspects include: encouraging and enabling training and further qualification, building diverse teams, ensuring a suitable and varied task allocation, flexible working structures and, in particular, an organisational culture of appreciation, respect and acknowledgement. The aim is to create an equal balance of security and flexibility, for employees and employers alike. The focus thereby remains firmly on an employee-orientated company culture. Specifically, this means good leadership which values communication, participation, motivation and diversity-orientated cooperation amongst the workforce. As a result, identifying which actions and instruments help strengthen mutual trust within a company is closely linked with the very role and responsibility of leaders and managers themselves. Simply administering training opportunities and job descriptions will no
longer be sufficient for meeting the challenges faced; rather, an active and innovative personnel management is called for.

5. Market and Customer
Through customer care and the involvement of customers, which customer requirements are existed and which of strengths are particularly be useful for the respective customer could be found.

6. Organization
The organization is organized so that everyone knows what, how, by whom and when to do it, and how to make the most of the resources.

7. Corporate Culture
Employees identify with a company, products and services. Generally, a good working atmosphere where employees enjoy coming to work every day, could influence on success of business.

8. Personal/Stuff
It is about giving a clear perspective of company to employees and they have agreed with them. In addition, it is strived to create conditions for them to work happily, productively and safely.

9. Production and Performance Process
For the development of company's products and the realization of services, operational processes should be defined. So resources such as efficiency, efficiency, quality, safety, and environment aren't wasted. Effectiveness of implementation of processes continuously have to be controlled.

10. Procurement
The procurement of equipment, materials and services that enable economic and trouble-free processes is a criteria (for example, quality, safety, environmental protection, social standards).

11. Innovation
Capturing new trends, using new information and communication technologies, and making targeted use of all our employees' knowledge of new products and services and better processes in the business are needed to gain success of the business.

Based on the results of the strengths and weaknesses analysis, the business plan description and the action plan are created. The description serves as a guide to corporate development and as a means of communication for financial service providers. With the help of the business plan description you formulate your project in detail. The document will help with the systematic implementation. The action plan is drawn up after completion of all modules and serves as a controlling instrument for controlling the set goals.

The most important advantages of business plan are:
- Optimal preparation for bank talks and financing requests
- Planning and controlling the business processes
- Strengths and weaknesses analysis & strengths and weaknesses profile
- Automatic generation of a catalogue of measures
- All business plan modules are free
- Guide for editing

Business plan works with five key action areas that work for each company and optimize
- Action field market and customer
- Field of action leadership and organization
- Action field personnel
- Action field services and order processing
- Field of action society and relationships

Based on the researches, it is realized that business plan is suitable when:

The planning and systematic control of a company with the help of a business plan is generally recommended. The preparation of the business plan is particularly useful if you are at one of the following points:

- For finance inquiries: Business plans are the central document for or against a financing decision by both banks and other financing partners.
- Reviewing & optimizing your business processes: The business plan is based on a strengths and weaknesses analysis that looks at your entire company. In this way, you discover urgent needs for action and can process them systematically.
- Strategic realignment: You want to reposition yourself. Then make sure that all aspects of your realignment are thought through. With the business plan you describe your strategies and set concrete goals.
- Annual planning: Use the business plan modules not only to develop your annual planning, but also in order to be goal-oriented in the long term. By describing the business plan, you define strategic goals as well as short-term actions.
- Succession and acquisition of companies: Each successor needs a business plan to finance the takeover. Collaborative development of the seller and successor business plan increases acquisition opportunities and minimizes risk.
5.4 Implementing and Developing the Business Plan

In previous section, business plan, its structure and its features were declared. In this section, tools needed to implement and develop business plan are explored.

In particular, a proper business plan has an operational framework for organizations in order to give benefits and advantages. A good business plan includes some parts in order to be developed. The most important component needed for developing business plan are:

- **Action plan:**
  It is about assigning a due date, person responsible in short term and detailed action plan is used to achieve them. In addition, for existing business it makes focus on dealing with issues in an organized, coherent and systematic manner.

- **Roadmap:**
  It is used to present vision of enterprise to others. Roadmap helps to achieve the objectives of the organization. In general, roadmap is utilized to help organization to be kept up with its objectives in medium and long term.

- **Performance Tool:**
  It is an operational instrument that help enterprises to create goals and objectives for performance and provide a basis for improving, evaluating and controlling the future performances of the business.

- **Business Promotion Tool:**
  It concerns on persuading investors and lenders to provide financial support for enterprises activities.

In addition, strategic planning is a tool to develop a strategy and planning its execution. It is a tool used to implement business plan in order to achieve aims of the research. The most important techniques for developing strategic plan are: benchmarking, budget planning, business analysis, business case, business models, capacity analysis, competitive intelligence, estimates, financial analysis, forecasting, goal planning, goal setting, management accounting, market analysis, mission and vision, prioritization, risk identification, scenario planning, strategic drivers, structured decision making, structured planning, SWOT analysis, target operation model. Fundamentally, strategic plan is used to create a long term plan in order to achieve business plan's objectives, policies and targets of the business. The most important things needed for development of strategic plan are:

- The target of the business
- The market segments that you want to hold
- The marketplaces that you would like to be a part of
- The products and/or services for selling
- The current situation of business
✓ The quality standards that the business aligned with
✓ The timeline that you will follow for the implementation of the business development strategy plan
✓ The whole specifications of the business development strategy plan content
✓ The development strategies that are required to provide needs of the business
✓ The strategy plans concerned on improving operations, business offers, and services
✓ The changes that you would like to occur
✓ The platforms and mediums that you will use to reach your target market
✓ The tools, materials, and equipment that is required for developing business development plan
✓ The place in business market where you aspire to be
✓ The demographic location of business and target clients

Besides of these techniques, there are some innovative models used to develop business plan to gain aims of the business. One the most important ones is PM² Business Implementation Plan. It is a kind of implementation plan that has two main benefits.

- How to move from outputs/deliverables to benefits?
- How do we know that deliverables can bring benefits?

Generally, the main purpose of this method is to enable project manager to find out solutions and benefit from their organization through effective management. In other words, PM² through management techniques develop business plan targets. This model has four steps: Initiating, Planning, Executing, Monitoring and Controlling that is presented in below figure:
5.5 Towards the Business Development

Fundamentally, a new business in the market will be created through enterprise concept, business plan and implementing tools of business plan. There are sufficient but not enough. It is needed to develop business in order to be maintained in market. Business development concerns on indicating long term values for an organization from customers, markets, and relations.

To develop new business and enterprises some features are needed such as:

- A clear and precise strategies
- A detailed business plan
- A proper sales program
- Focused client relationships and communication channels (client services)

To conclude, some strategies are required to gain features of successful business mentioned before. In other words, strategies concerned on sales, client services, business concept and business processes are needed to develop business in path to gain successful and sustainable
business. Besides of business plan and strategic plan related to bring up business plan targets, other strategies are vital such as:

- Action Plan
- Management Plan
- Risk Plan
- Emergency Plan
- Treatment Plan
- Business Analysis Plan
- Planning Business Strategies for Sustainable Development
- Business Development Strategic Plan

Fundamentally, different kinds of development plan can be used to improve needs and functions of the business through organizations. Such plans not only could improve function of businesses, but also could create new opportunities for businesses in market. So, it is vital to use development plan to achieve objectives of the business and improve the function. In addition, some tools and techniques such as innovation, high technologies, digitalization and etc., could influence on these plans. These techniques are presented in next chapter.

6. Marketing for SMEs

Marketing is about management process to recognize, anticipate and content costumers. In particular, marketing is process of planning and performing ideas, prices, promotion, new or revised services, and products in order to satisfy costumer and organizational objectives.

Market is not only important for large businesses, but also it is vital for small and medium enterprises. In this section, features of SME market, strategies and policies related to successful market are declared.

6.1 SMEs Market

SMEs don’t act in business markets like large firms. Like large firms, proper marketing based on SMEs features, sizes, limited resources, entrepreneur influences, emphasis on sales, good awareness of formal marketing aspects and personal contact networks are required for SMEs to be able to survive, develop, compete and grow up in business environment. The main roles of marketing for small and medium sized enterprises are:

- Support SMEs in order to benefit from market opportunities and grow up
- To achieve sustainable competitive privileges
To improve their market ranking in business environment

To make SMEs compete in market towards growing up their businesses and gaining more efficacy

Some characters of SMEs make them behave different in business environment from large organizations. The most significant ones are:

- The fundamental character is related to owner-manager who are responsible for both the ownership and managerial functions. This feature is usually specific character of SME that is based on inherent characteristics and behaviours of the entrepreneur or owner/manager and size of the firm and make SMEs behave particularly in market.

- The second feature is concerned on that SME could act more flexible and less rigid in business environment that is based on SME's characters. In other words, the business environment of an SME is flexible, adaptive and change oriented that make SMEs behave in market problem-solving and action orientated.

- Limitations and challenges such as limited resources like finance, time, marketing knowledge; lack of knowledgeable and expert expertise based on improper training, education and limited impact are significant reasons that SME act differently in market.

- The relationship between customers and owners in SMEs are closer and more friendly that make specific behavior for SME in business environment.

- SME owner-managers use more creative, innovative and specific management that create different and special marketing. In general, SME marketing is more informal, loose, unstructured, spontaneous, reactive, problem solving and innovative than large firms.

According to these SMEs features, they behave differently in market. Besides of these characters, there are specific aspects of business environment that could influence on SME competitiveness including market accessing, efficiency and risks, costs and services; and acting specifically in market. The following are presented the most important of these aspects:

- Challenges that are faced with to enter and act non-competitively, however SMEs are potentially competitive

- Expensive and time-consuming regulatory requirements such as licensing and registration;

- Levies that make SMEs not to prefer to grow up

- The legal framework for commercial transactions and the resolution of disputes, that can affect transactions with unknown firms;

- Government procurement procedures that discourage successful bidding by SMEs;

- Tax structures that is against small and medium sized firms

- Zoning regulations that cause challenges for SMEs to participate in high income markets

- Rigidness of markets that create challenges for SMEs
• Inflation
• Infrastructure that opens access to information and markets, particularly transportation, market facilities, and communications infrastructure

In particular, marketing of SMEs is involved in three fields: product service innovator, positioning itself in the focus of customers in a marketing vision correlating customer needs with company offers, ability and opportunity to make changes in market, competition and consumer behavior.

Fundamentally, marketing plays important role in future of SMEs same as large firms. So, it is vital to create proper marketing for SMEs to make them be able to compete, survive and grow in business environment.

6.2 Market Intelligence and Consumer Behavior, towards Business Plan

Understanding consumer behavior and proper market intelligence could be used as tools to develop enterprise concept and design suitable business plan. Therefore, consumer behavior and market intelligence are required for designing proper marketing as well as business success.

Consumer behavior is about branch dealing with various stages a consumer goes through before buying products or services for his end use. Basically, consumer buys a product founded on his need, budget or taste. In particular, consumer behavior is concerned on those activities directly involved in achieving, consuming and deposing of products and services that include the decision process. Study and understanding it could help businesses in three aspects:

✓ Why or why not a consumer buys a product?
✓ When a consumer buys a product?
✓ How a consumer buys a product?

Understanding and adopting to consumer behavior is required for businesses to survive in competitive environment and be successful in marketing through following ways:

• To provide the best services and products that satisfy consumer's needs and demands
• To decide the best price based on consumer's behavior
• To decide and choose best market and marketing for products and services
• To realize the best method of promotion
• To understand and find out factors influenced on product market and sell

It is vital to react in a way aligned with consumer behavior. In other words, market intelligence that is based on consumer behavior is needed for business success.
Generally, consumers go through five stages before buying a product or service. These five stages are:

1. **Needs:**
   Need is the most important factor or indicator for buying products and services.

2. **Search or Information Gathering:**
   This stage is concerned on when an individual recognizes his needs for a product or service and tries to gather information through different resources such as personal, commercial, public and experimental resources.

3. **Evaluation of Alternatives:**
   This step is about evaluating different alternatives related to need in order to select one.

4. **Purchase of Product or Service:**
   The fourth stage is concerned on buying.

5. **Post Purchase Evaluation:**
   Post purchase evaluation is the last step related to customer’s analysis to find out whether the product was useful to him or not, whether the product fulfilled his need or not?

There are different factors that would influence on consumer’s suggestion and behavior:

- **Cultural factors** such as cultural norms, sub-cultural factors and etc.
- **Social factors** including social status, lifestyle, reference groups, education and etc.
- **Personal factors** such as gender, age, family and etc.
- **Economic factors** like employment, financial situation and etc.
- **Psychological factors** such as past experience, emotion and etc.
- **Political factors** including sanctions, wars and etc.
- **Technical factors** such as utilizing technology, knowledge and expert about new techniques and etc.
- **Environmental factors** like contamination, shortage of natural resources and etc.
The below figure presents the way that these factors influence on consumer behavior:

Figure 6: Factors influenced on Consumer Behavior
(Hawkins & Mothersbaugh 2015)

There are four suggested tools to design market concerned on consumer behavior:

- Consumer Decision Making
- Demographic and Trends: Different factors such as aging, gender, health, lifestyle, globalization and etc., could play important roles in consumer behavior.
- Social Influence: Social factors as sharp tool could impact on consumer behavior.
- Information Processing
The below figure presents consumer information processing:

![Consumer Information Process Diagram](image)

**Figure 7: Consumer Information Process**
*Hamid Doost Mohammadian, 2017*

For businesses, it is vital to understand consumer behavior in order to create intelligence market aligned with consumer's needs and behavior. In particular, different variables involved in understanding consumer behavior:

- **Stimulus**: such as ads, products and etc.
- **Response**: including physical/mental reaction to the stimulus and etc.
- **Intervening variables**: such as mood, knowledge, attitude, values, situations, etc.

It is vital to know about consumer behavior to be aligned with in order compete, survive and grow in business market.

### 6.3 Towards Qualified SMEs Market

The marketing performance of SMEs are categorized in five groups:

1. **Functions focused on customers and prospects**:
   - Face-to-face meetings with customers
   - Commercial events
   - Studies on consumer behavior

2. **Instruments and techniques related tasks**:
   - Documentation
   - Websites
3. Products related tasks:
   - Research and study on various products
   - Testing various products
   - Examination and evaluation of competing products

4. Environment-oriented tasks:
   - Environmental studies
   - Research on market diversity
   - Competitive and technological intelligence

5. "Mass marketing" tasks:
   - Qualitative market studies
   - Public relations
   - Public campaigns

Different techniques, strategies and policies based on these techniques are introduced as path and solution to improve position of SMEs in business environment. The most famous ones are:

**Innovative Marketing:**

The role of innovative marketing is to provide the concepts, tools and infrastructure to close the ‘GAP’ between innovation and market positioning to achieve sustainable competitive advantage.

Innovative marketing would influence on all SMEs function and activities in order to promote their efficiency, profit and achieve their goals. Innovative marketing is concerned on performing and doing something novel through ideas, products, service, technology and revised these ideas to market in order to create opportunities for businesses to meet the market demand in new path.

Fundamentally, innovation could influence on SMEs processes, performances and services in order to participate in business environment with high profit and efficient.

**Marketing through High Technologies:**

Marketing based on technology such as Internet like e-business, and digital marketing is a proper path for small and medium enterprises to

Technology and communication would help businesses develop and prosper, creates relationships, effectiveness of organization, participating in global market and allow costumers know more about businesses.
We are living in an era that new age of markets being close to day to day life is required. Technology could play important role in creating new age of markets.

**Marketing by Networking:**

Network marketing also known as “multilevel marketing”, “structure marketing” or “multilevel direct selling” is one of famous marketing. Network marketing is concerned on sales companies worked via sales organization consisting of non-employed individuals. Based on this type, products are sold through the people and customers themselves instead of distribution agents with a high percentage of commission. In general, this type is related to interpersonal communication such as friendship, kinship, and long-term cooperation with members of other groups or companies concerned on social communication. Challenges such as shortage of capital, high costs, financial challenges, and lack of experts; SMEs prefer to use network marketing in order to achieve their goals, high productivity and efficiency.

**Marketing Intelligence:**

Marketing intelligence is about information collected for the purpose of making business decisions. In other words, it is the systematic collection and analysis of information about consumers, competitors, and developments in the marketplace towards participating successfully in business environment.

Marketing intelligence realized every information related to marketing development in order to help managers prepare and adopt marketing plans. This strategy is based on assessment research that is utilized by businesses to find out solutions to participate or increase its impacts and presence in market. It delivers from different sources such as the company’s personnel executives, engineers and scientist, purchasing agents and the sales force.

The main advantages of this strategy are:

- Helping businesses to enter to new market or expand their roles in market
- Reducing the risks and threats of an investment decision being wrong
- Keeping businesses to participate in competition and be ahead among competitors
- Making businesses to be aligned with customer's demands and expanding their markets
- Tailor products and marketing effort around customer needs

This method helps businesses to participate, compete, survive and grow in market through collecting and analyzing information based on consumers, competitors, market developments.

Fundamentally, these are more famous marketing models and policies that could improve rank of SMEs in businesses environment and make them compete successfully.

In this chapter, overviews about SMEs, their roles in development of countries and fundamental stages to design new start up are declared. In future chapters, the paths to achieve successful SMEs in order to develop a country sustainable will be mentioned.
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   2.5 Innovative Techniques
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3. Growing SMEs through Technologies
   3.1 IT and Digitalization tools towards Successful SMEs
   3.2 Roles of Networks on SMEs
   3.3 SMEs and E-Businesses
   3.4 SMEs and E-Commerce

4. Knowledgable and Intellectual Capitals
   4.1 Vocational Training
   4.2 Roles of Vocational Training on SMEs
   4.3 Intellectual Capitals
5. Sustainable SMEs
   5.1 Indicators of Sustainable SMEs
   5.2 Importance of Sustainable SMEs
   5.3 Challenges and Solutions

6. Case Studies
   6.1 Germany
   6.2 The United Kingdom
   6.3 Denmark

References
1. Management

Not only SMEs, but also all organizations need to be survived and maintained their entity through improving their performance. To gain this aim, management and leadership have important roles. Proper management could create successful SME through achieving good performance of organization. Fundamentally, different tools concerned on management are needed to create sustainable and successful Global SMEs.

1.1 Risk Management

In all businesses such as SMEs and every area of management of a company, risk as the possibility of economic or financial losses or gains exists. Generally, risks could be introduced as a significant threat or new chance. In other words, risk could be utilized as a tool to create new opportunity for business. So, it is vital to identify risks, analyzing and mitigating them in order to reduce negative impacts of risks or use risks as new opportunity for organization. Although risks create failure, unsuccessful or loss in projects, companies are willing to use risk as a tool to gain income and profits.

Risk management is a proper tool to improve management area of organization and reduce risks threaten businesses in order to gain successful and sustainable organizations and SMEs.

Risk management is about the process concerned on maintaining the assets of the company against the loses threaten the future of the business through different kinds of techniques like prevention, retention, insurance and etc. In addition, the other meaning is realized for risk management. It is said that risk management is related to the process of planning, organizing and controlling resources in order to gain given objectives when unexpectedly events are occurred. Fundamentally, four steps are realized to manage risks in order to improve condition of organization through risk management. Establishing the context is introduced as the first step. Aims, the objectives and stakeholders of the projects are identified. The second step is identifying the risk. Risk analysis is the third step. Risk mitigation is the last steps that includes prioritizing, evaluating, implementing and maintaining the appropriate risk to reduce controls (risk-reducing measures) recommended from the risk assessment process. Risk mitigation has seven steps: prioritize actions, evaluating recommended control options, conducting Cost-Benefit analysis, selecting control, assigning responsibility, developing an action plan and implementing selected control.

![Figure 1: Steps of Risk Management](Hamid Hamid Doost Mohammadian, 2017)
There are four main types of risk management:

1. **Project Risk Management (PRM):**

2. **Financial Risk Management (FRM):**

3. **Governance Risk Management (GRM):**

4. **Enterprise Risk Management (ERM):**

Besides of this categories, based on specific methodologies, models and techniques, coming from different cultural contexts, risk management methods have been classified into nine different categories:

- **Strategic Risk Management (SRM):**

  It is about process to identify and asset of strategic risks concerned on human, technological, brand, competition, project and stagnation risks that are realized as obstacles to reach an organization's financial and operational goals. The SRM definition is related to strategy formation and implementation.

- **Financial Risk Management (FRM):**

  Financial risk management is about economic value in business through utilizing instruments and techniques to reduce financial failure. Generally, FRM has four categories: market risks, credit risks, financing or liquidity risks, operational risks. In addition, risk management framework in corporate organization has three components: financial risk management strategies, financial risk management policies, financial risk management methodologies in order to minimize risks concerned on financial situation of an organization.

- **Enterprise Risk Management (ERM):**

  ERM is an important type of risk management, because it is able to support value creation through enabling management to deal effectively with potential future events that create respond in a manner that reduces the likelihood of negative outcomes and increases the opportunities. In addition, COSO Enterprise Risk Management – Integrated Framework in 2004 defined ERM as "a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives".

- **Project Risk Management (PRM):**

  Based on Project Management Institute's PMBOK, project risk management is one of the nine knowledge areas related to project management. Each project has five steps: initiating, planning, executing, controlling and closing. Through PRM risks of each step should be identified, analyzed, evaluated, treated and monitored. So, failure of each step will be reduced. Fundamentally, Risk project management help businesses to gain profitable result.
• **Insurance Risk Management (IRM):**
  It is about damaging in a firm that have already occurred through pure risks such as environmental, social, personal and technological types.

• **Engineering Risk Management (EnRM):**
  It is about risk management concerned on planning, designing, operating and evaluating of an engineering system. To identify and choose appropriate responses to reduce or downsize risk factors such as technical/operational risks through utilizing systemic and proactive approach is the main aim of this kind of risk management.

• **Supply chain Risk Management (ScRM):**
  It is a kind of risk management process concerned on risks related to supply chain like logistics, financial, information, relationships and innovation risks, activities and resources risks. Many organizations create strong supply chain such as manufacturers, distributors, suppliers and customers to reduce risks related to it in order to gain profitable results and successful business.

• **Disaster Risk Management (DRM):**
  The main aims of this kind of risk management is to reduce disaster risks related to natural phenomena, terrorism, epidemics, industrial accidents and mitigating the spread of disasters.

• **Clinical Risk Management (CRM):**
  It is concerned on improving health care quality and safety of patient at risks of harm through preventing and controlling risks related to human and organizational factors or technological aspects.

Two patterns related to risk management were introduced by authors in the 6th international conference on Civil, Architectural and Environmental Sciences that was held 19 June 2019 in Stockholm, Sweden.
Fundamentally, risk management through these methods could identify, analyze and mitigate risks and use them as new opportunities to make sustainable and successful organization.

1.2 Human Resource Management

Human resource management is a kind of kind of management process that is related to the management of human resources in an organization and needed for obtaining SMEs objectives towards successfulness. This was declared completely in chapter 2.

1.3 International Management

International management is an important dimension to achieve successful global SMEs. It is about management of organization that manage business in more than one country. International management needs different knowledge, skills and techniques.

In particular, there are factors influencing international management such as:

- **Legal system**: It refers to process to expound and apply the law. Civil law, common law and religious law are component of major legal systems of the world.

- **State and political system**: Based on political entity, a state is any politically organized community living under a single system of government. Focusing on political stability is required for successful international management.
- **Geography & Climate:** Geography and climate including weather conditions of a region, as temperature, air pressure, humidity, precipitation, cloudiness, and winds could influence on international management and business.

- **Culture & Religions:** It could influence on same culture in different ways at different times. In particular, given religious believes impact on people’s culture.

- **Taxation & Duties:** Each country's economy, residents, jobs, environment, etc., through controlling the flow of products.

- **The Economy:** It is about social domain emphasizing on practices, discourses, and material expressions associated with the production, use, and management of resources.

Intercultural Negotiation, Intercultural Communication, International Teamwork, Intercultural Leadership, Expatriate Management are examined in micro and macro levels are the main kinds of international management that are declared in below chart. In addition, Business Environment, International Strategy are located in macro level category.

<table>
<thead>
<tr>
<th>Intercultural Communication</th>
<th>Communication between individuals or groups of different linguistic and cultural origins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercultural Leadership</td>
<td>is related to get Cross-Cultural Teamwork Right.</td>
</tr>
<tr>
<td>Expatriate Management</td>
<td>It is about an individual living in a country that is not their citizenship country, often temporary and for work. In addition, it concerns on an individual who has relinquished citizenship in their home country to become a citizen of another.</td>
</tr>
<tr>
<td>International HRM</td>
<td>It is about activities concerned on managing organizational human resources at international level in order to gain advantages among competitors at national and international level.</td>
</tr>
<tr>
<td>Intercultural Negotiation</td>
<td>Differences of culture - behavior, attitudes, norms and values could influence on international negotiation and communication.</td>
</tr>
<tr>
<td>International Strategy</td>
<td>It is about strategies to improve benefits and effectiveness of international businesses. Fundamentally, it is focused on private companies rather than governments.</td>
</tr>
<tr>
<td>International Business Environment</td>
<td>It is related to manage a business in foreign country in a way to deal with variety of cultural and environmental differences. So, focusing on differences of political, legal, sociocultural, economic, and technological environments is required to gain proper international environment.</td>
</tr>
</tbody>
</table>

**Table 1: Theoretical Perspective of International Management**

*Hamid Doost Mohammadian, 2016*

### 1.4 International Cross-Cultural Management

Cross cultural management is managing work teams in paths that supposes the differences in cultures, practices, stereotypes and preferences of consumers in a global or international business context in order to gain best results. Generally, cross cultural management is about adopting international business effectively to different culture. In particular, cross cultural management is concerned on differences of culture. Differences of culture make cross cultural challenges could be introduced as reasons of many failure of global SMEs.
False communication, inaccurate biases, perception, believes and inadequate trust are the main barriers between different cultures related to cross cultural management.

Generally, four main models based on cultural dimensions are used to gain successful global cross cultural management: David Victor’s LESCANT Model, Edward Hall Model and Alfonsus (Fons), Trompenaars.

In this book, Hofstede study is reviewed. He analyzed organization values and their impacts on culture within the IBM Company. Based on the study, he identified different cultural dimensions for a model of organizational cultures. These dimensions are:

1. **Individualism versus Collectivism:**
   Individualism means that people look after themselves or remain integrated into groups, usually around the family. Universalism, separating work and private life, private options, fulfilling obligations to self and promotion based on results are the main features of individualism. Low individualist is named collectivism. Generally, collectivism concerns on society, group and family. It means that you are responsible for society. Particularism, combing work and work life, fulfilling obligations to group, relations over tasks and promotion based on loyalty and seniority are the main features of collectivism.

   Being individualism or collectivism could create different culture impressed business area and management.

2. **Power Distance:**
   Power distance is about differences of power related to the position and the place of workers in an organization. Generally, high power distance shows that a society accepts an unequal, hierarchical distribution of power, and that people are aware of "their place" in the system.

   The main characteristic features of high power distance are: hierarchy needed, inequality
accepted, high dependence needs, privileged power holders and difficulty in cooperation among the powerless to bring about because of low faith in people.

3. **Uncertainty Avoidance:**

It is about how a society feels either uncomfortable or comfortable in unstructured situations that are novel, unknown and different from usual. In other words, uncertainty avoidance dimension indicates a typical person in a society feels uncomfortable or comfortable with a sense of uncertainty and ambiguity. Flexibility, willing to take risks, strong belief in generalists and common sense, relaxed, less stress and interpersonal oriented are the main features of society with low uncertainly avoidance degree.

4. **Masculinity versus Feminity:**

This dimension shows quality or quantity of life based on the distribution of emotional roles between the genders. Masculine societies concern on material success, although feminine societies focus on quality of life, cooperation and modesty. Quality of life, striving for conscious, intuition, sympathy for unfortunate, work in order to live, overlaying roles of men and women are the most important characteristic features of society with low masculinity degree introduced as feminine society.

5. **Long Term Orientation versus Short Term Orientation:**

This dimension indicates that a society focuses on the future, the presence or the past. In short-term oriented cultures the results of the past month, quarter, or year as a bottom line are major concerns. In addition in such culture, control systems are focused on bottom line and managers are constantly judged by it; although, businesses in long term oriented culture don't expect immediate results. Absolute truth, normative, short term view and quick result expected are the main characteristic features of short term oriented culture. By contrast, many truths, pragmatic, long term orientation and perseverance are the main features of a society with high long term orientation degree.

6. **Indulgence versus Restraint:**

This dimension infers how much you could express your feelings, emotions and yourself. Indulgence society refers to a society allows to enjoy their life and having fun.
The below figure presents a summary of these six dimensions based on Hofstede theory:

**Power Distance Index (PDI)**

High: Acceptance of a hierarchical order in which everybody has a place and which needs no further justification.

Low: People strive to equalize the distribution of power and demand justification for inequalities of power.

**Individualism versus Collectivism (IDV)**

Individualism: As a preference for a loosely-knit social framework.

Collectivism: Tightly-knit framework in society.

**Masculinity versus Femininity (MAS)**

Masculinity: Preference in society for achievement, heroism, assertiveness and material rewards for success.

Femininity: Standards for a preference for cooperation, modesty, caring of the weak and quality of life.

**Uncertainty Avoidance Index (UAI)**

High: Maintains rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas.

Low: Societies maintain a more relaxed attitude in which practice counts more than principles.

**Long Term Orientation versus Short Term Normative Orientation (LTO)**

High: Pragmatic approach, they encourage thrift and efforts in modern education as a way to prepare for the future.

Low: Societies prefer to maintain time-honored traditions and norms while viewing societal change with suspicion.

**Indulgence versus Restraint (IND)**

Indulgence: Societies that allow relatively free gratification of basic and natural human drives related to enjoying life and having fun.

Restraint: Societies that suppress gratification of needs and regulates it by means of strict social.

![Figure 4: Hofstede Cross Cultural Dimensions](Hofstede, 1980)

In addition, it could be explored about different countries culture through the website: [https://www.hofstede-insights.com](https://www.hofstede-insights.com). This website is updated one.

Fundamentally, cross cultural management create a proper path for development, evaluation, improving communication to gain better solutions and results through managing and controlling diversity, enhancing performance in business area and creating business environment concerned on differences of culture.

Hofstede study was continued and a new perspective about cultural dimensions and their roles in cross cultural research named GLOBE appeared. GLOBE "Global Leadership and Organizational Behavior Effectiveness" has been studied between 62 nations through 170 researches in 11 years. In addition, this study is in process. Based on this study, 9 dimensions are introduced:

1. **Performance Orientation**: It is concerned on which community utilizes innovation, high standards, excellence, and performance improvement.
2. **Uncertainty Avoidance**: It is about which society, organization, group focuses on social norms, rules and methods to reduce unpredictability future happenings.

3. **In Group Collectivism**: It is concerned on the level to which individuals present pride, loyalty and the connection in their organizations or families.

4. **Institutional Collectivism**: It is the degree of to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.

5. **Power Distance**: It is about authority, power differences and status privileges in different position of an organization.

6. **Gender Egalitarianism**: It is concerned on gender inequality.

7. **Humane Orientation**: It is about organization or society appeals individuals to be fair, friendly, generous, caring and kind to others.

8. **Future Orientation**: It is concerned on goals and aims in future through future-oriented behaviors such as planning, investing and etc.

9. **Assertiveness**: It is about the level of assertiveness and aggressiveness of each individual in relationship with others.
The below figure presents high and low level of each dimensions' characteristics:

**Performance Orientation**

<table>
<thead>
<tr>
<th>High Orientation Performance</th>
<th>Low Orientation Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Value training and development.</td>
<td>• Value societal and family relationships.</td>
</tr>
<tr>
<td>• Value competitiveness and materialism.</td>
<td>• Value harmony with the environment.</td>
</tr>
<tr>
<td>• View formal feedback as necessary for performance improvement.</td>
<td>• Value who one is more than what one does.</td>
</tr>
<tr>
<td>• Value what one does more than who one is.</td>
<td>• Expect indirect, subtle communication</td>
</tr>
</tbody>
</table>

**Uncertainty Avoidance**

<table>
<thead>
<tr>
<th>High Uncertainty Avoidance</th>
<th>Low Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Use formality in interactions with others.</td>
<td>• Use informality in interactions with others.</td>
</tr>
<tr>
<td>• Are orderly and keep meticulous records.</td>
<td>• Are less orderly and keep fewer records.</td>
</tr>
<tr>
<td>• Relate on formalized policies and procedures.</td>
<td>• Rely on informal norms for most matters.</td>
</tr>
<tr>
<td>• Take moderate, carefully calculated risks.</td>
<td>• Are less calculating when taking risks.</td>
</tr>
<tr>
<td>• Show strong resistance to change.</td>
<td>• Show only moderate resistance to change.</td>
</tr>
</tbody>
</table>

**Gender Egalitarianism**

<table>
<thead>
<tr>
<th>High Gender Egalitarianism</th>
<th>Low Gender Egalitarianism</th>
</tr>
</thead>
<tbody>
<tr>
<td>• More women in positions of authority.</td>
<td>• Fewer women in positions of authority.</td>
</tr>
<tr>
<td>• Less occupational sex segregation.</td>
<td>• More occupational sex segregation.</td>
</tr>
<tr>
<td>• Similar levels of educational attainment for males and females.</td>
<td>• A lower level of female educational attainment, compared to that of males.</td>
</tr>
<tr>
<td>• Afford women a greater decision-making role in community affairs.</td>
<td>• Afford women little or no decision-making role in community affairs.</td>
</tr>
</tbody>
</table>

**In Group Collectivism**

<table>
<thead>
<tr>
<th>High In Group Collectivism</th>
<th>Low In Group Collectivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Duties and obligations are important determinants of social behavior.</td>
<td>• Personal needs and attitudes are important determinants of social behavior.</td>
</tr>
<tr>
<td>• A strong distinction is made between in-groups and out-groups.</td>
<td>• Little distinction is made between in-groups and out-groups.</td>
</tr>
<tr>
<td>• People emphasize relatedness with groups.</td>
<td>• People emphasize rationality in behavior.</td>
</tr>
<tr>
<td>• The pace of life is slow.</td>
<td>• The pace of life is faster.</td>
</tr>
<tr>
<td>• Love is assigned little weight in marriage.</td>
<td>• Love is assigned great weight in marriage.</td>
</tr>
</tbody>
</table>

**Future Orientation**

<table>
<thead>
<tr>
<th>High In Group Collectivism</th>
<th>Low In Group Collectivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Propensity to save more for the future.</td>
<td>• Propensity to spend more, rather than save.</td>
</tr>
<tr>
<td>• Emphasize working for long-term success.</td>
<td>• Prefer gratification as soon as possible.</td>
</tr>
<tr>
<td>• Organizations tend to be flexible and adaptive.</td>
<td>• Organizations tend to be inflexible and maladaptive.</td>
</tr>
<tr>
<td>• View material success and spiritual fulfillment as an integrated whole.</td>
<td>• View material success and spiritual fulfillment as separate, requiring trade-offs.</td>
</tr>
</tbody>
</table>

**Assertiveness**

<table>
<thead>
<tr>
<th>High Assertiveness</th>
<th>Low Assertiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Value competition, success, and progress.</td>
<td>• Value cooperation and warm relationships.</td>
</tr>
<tr>
<td>• Communicate directly and unambiguously.</td>
<td>• Communicate indirectly; try to &quot;save face.&quot;</td>
</tr>
<tr>
<td>• Try to have control over the environment.</td>
<td>• Try to be in harmony with the environment.</td>
</tr>
<tr>
<td>• Expect subordinates to take initiative.</td>
<td>• Expect subordinates to be loyal.</td>
</tr>
<tr>
<td>• Build trust on basis of calculation.</td>
<td>• Build trust on basis of predictability.</td>
</tr>
</tbody>
</table>

**Human Orientation**

<table>
<thead>
<tr>
<th>High Human Orientation</th>
<th>Low Human Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The interests of others are important.</td>
<td>• One’s own self-interest is important.</td>
</tr>
<tr>
<td>• People are motivated primarily by a need for belonging and affiliation.</td>
<td>• People are motivated primarily by a need for power and material possessions.</td>
</tr>
<tr>
<td>• Members of society are responsible for promoting the well-being of others.</td>
<td>• The state provides social and economic support for individuals’ well-being.</td>
</tr>
<tr>
<td>• Child labor is limited by public sanctions.</td>
<td>• Child labor is an issue of low importance.</td>
</tr>
<tr>
<td>• People are urged to be sensitive to all forms of racial discrimination.</td>
<td>• People are not sensitive to all forms of racial discrimination.</td>
</tr>
</tbody>
</table>

**Power Distance**

<table>
<thead>
<tr>
<th>High Power Distance</th>
<th>Low Power Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Society is differentiated into classes.</td>
<td>• Society has a large middle class.</td>
</tr>
<tr>
<td>• Power seen as providing social order.</td>
<td>• Power linked to corruption and coercion.</td>
</tr>
<tr>
<td>•向上ward social mobility is limited.</td>
<td>•向上ward social mobility is common.</td>
</tr>
<tr>
<td>• Resources available to only a few.</td>
<td>• Resources are available to almost all.</td>
</tr>
<tr>
<td>• Information is localized and hoarded.</td>
<td>• Information is widely shared.</td>
</tr>
</tbody>
</table>

**Institutional Collectivism**

<table>
<thead>
<tr>
<th>High Institutional Collectivism</th>
<th>Low Institutional Collectivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Members assume that they are highly interdependent with the organization.</td>
<td>• Members assume that they are largely independent of the organization.</td>
</tr>
<tr>
<td>• Group loyalty is encouraged, even if this undermines the pursuit of individual goals.</td>
<td>• Pursuit of individual goals is encouraged, even at the expense of group loyalty.</td>
</tr>
<tr>
<td>• The society’s economic system tends to maximize the interests of collectives.</td>
<td>• The society’s economic system tends to maximize the interests of individuals.</td>
</tr>
<tr>
<td>• Rewards are driven by seniority, personal needs, and/or within-group equity.</td>
<td>• Rewards are driven very largely by an individual contribution to task success.</td>
</tr>
<tr>
<td>• Critical decisions are made by groups.</td>
<td>• Critical decisions are made by individuals.</td>
</tr>
</tbody>
</table>

---

**Figure 5: GLOBE Cultural Dimensions (Adopted from Globe Project)**

Basically, features of each country concerned on GLOBE dimensions could be investigated through the website” [http://www.GlobeProject.com/results/clusters](http://www.GlobeProject.com/results/clusters)

### 1.5 International Cutting-Edge Management

Cutting edge management is different from traditional kind of management. Nowadays, it could be a tool used by businesses in the decision-making process in order to gain best results.
Rating less reviews, ongoing feedback, and crowd-sourced feedback are three main practices of cutting age management.

- **Rating less Reviews:**
  Rating less reviews are assessments of simplified ratings. There are used to reduce and avoid challenges, improve experience, performance of managers and employees with the focus on development more than implementation evaluation.

- **Ongoing Feedback:**
  It extends annual or mid-year report to monthly or quarterly. Ongoing feedback is utilized to ensure that managers create sustained and friendly relationships with their employees in order to do performance in right path and time.

- **Crowd-sourced feedback:**
  It uses social media to permit each feedback be compared to 360 reviews in freeform path. In addition, it distinguishes team-based structure of work and the opportunity provided through social media technology.

Cutting edge management is utilized by SMEs more than the other kind of businesses. Reducing bureaucracy, creating nimble HR processes and moving more quickly are main appealing reasons for SMEs to use this kind of management.

### 1.6 Behavioral Economics in SMEs

Behavioral economics is about impact of psychological factors on the economic decision-making process of individuals. It concerns on better understanding of the human mind.

In the eighteenth century, Adam Smith declared about behavioral economics for the first time. He acclaimed that human economic decision-making is improper and values of fairness and justice could influence on it. This idea had been revising in twentieth century and in recent years, a group of theories called “dual process theories” achieved information in the research of behavioral economics. Based on these theories, there are two types of reasoning: system 2 and system 1. System 2 is about deliberative and reflective thinking and it includes a rational way of information processing. Systems 1 contains an automatic way of information processing. In addition, a new concept of behavioral economics based on migrating of it to the field of ethics has been created since 1990s. Behavioral ethics shows people have psychological impress (such as loss aversion), limited cognitive resources, and care about other values (such as fairness), that could influence on their utility maximization behavior and weaken it. Although behavioral ethics neither supposes people are good at utility maximization nor that it is their only aim, traditional approaches indicates that people’s economic decisions are concerned on the strategies of maximizing utility.
Behavioral economics tries to answer below questions to do the best decision making to make successful businesses:

- How emotional or rational is consumer decision-making?
- How quick or considered is consumer decision-making?
- How much information can consumers assemble?
- How important is context in affecting perceptions of a brand and impact on behavior?

Irrational value assessment and paralysis by analysis are the main reason of utilizing Behavioral economics in business especially SMEs.

Generally, some internal factors, from a physiological aspect of view that influencing on SMEs performance are presented. UK Department for business, innovation and skills realized internal factors such as:

**Demographic characteristics influencing manager disposition:**

- Gender:
- Age and Life Stages:
- Family background of high managerial/ professional occupations
- Family socio-economic background
- Family financial support
- International living experiences and links
- Cultural background including ethical and religious belief
- Educative (university/ vocational) experiences
- Early exposure to entrepreneurial behavior

**Business Mindset of manager:**

- Interest in business ownership (aspirations to entry)
- Strategy development
- Attitude to exporting
- Financial riskiness ( using financial levers vs selling shares)
- Employees" attitude towards work
- Early adaption of new technologies and innovations
- Partnership (pooling capitals with partners)
- Early recognition of government business support
- Social networking and communication with other business owners

The other factors are external factors that could influence on behaviour of economies.
• **Starting a business**: Procedures, time, cost and paid-in minimum capital to start a limited liability company for men and women could be settled in this category.

• **Dealing with construction permits**: This category are included factors such as procedures, time and cost to do and perform all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system.

• **Getting electricity**: Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs are main indicators settled in this type.

• **Registering property**: Procedures, time and cost to transfer a property and the quality of the land administration system for men and women are existed in this category.

• **Getting credit**: This category includes indicators like movable collateral laws and credit information systems.

• **Protecting minority investors**: Minority shareholders’ rights in related-party transactions and in corporate governance are formed this category.

• **Paying taxes**: Payments, time and total tax and contribution rate for a firm to comply with all tax regulations as well as post-filing processes are categorized in this group.

• **Trading across borders**: It includes time and cost to export the product of comparative advantage and import auto parts.

• **Enforcing contracts**: Time and cost to resolve a commercial dispute and the quality of judicial processes for men and women are included in this category.

• **Resolving insolvency**: Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency are the main indicators concerned on resolving insolvency.

• **Labour market regulation**: It includes indicators such as flexibility in employment regulation and aspects of job quality.

These factors are introduced by Department for Business, Innovation and Skills of UK and Doing Business that influence on economic of SMEs. In other words, these factors are main behavioral economic indicators impacted on business function.

**Fundamentally, Behavioral economics** makes marketing to optimize marketing strategies and get real and best results.

### 1.7 Leadership in SMEs

Besides of management, leadership is vital to not only achieve proper management, but also to create successful business with high efficiency. It means that strong leadership and management are required to gain optimal effectiveness in organizations.
There is a difference between leadership and management. Leadership is about persuading others to achieve defined objectives and goals of a business, although management is concerned on activities such as planning, organizing and decision making as paths towards business goals. In particular, both of them are needed for successful business.

All plans and business decision, effective and timely phenomena are organized by leaders. Leadership is concerned on processes, management and performances in order to achieve firm's objectives. So, leadership plays a crucial role in growth and development of each business or organization. Leadership is required to move an organization towards changing, competitive landscape through imagining, motivating, organizing, managing and leading employees to a higher level of performance in order to make businesses compete, survive and develop in business environment.

Like all kinds of businesses, SMEs need proper leadership in order to achieve their goals, objectives and create successful business through creating the best products and services, utilizing resources in the best and the most proper way, managing stakeholders of organizations. Fundamentally, to achieve successful SMEs, leadership is realized as one of the main keys. Three different categories are realized in order to realize role of leader and leadership in SMEs development:

- **Leader characteristic and features:** It is about leader's experience, knowledge and intelligence. It means that personal features such as attitude to innovation, high technology and etc., tendency to risks, personal values and interest could influence on how leader do in business.
- **Leader’s aspirations, motivations and intentions:** It is concerned on how leader's aspirations, interests and values influence on his actions and attitudes.
- **Leader’s behavior or role:** this is based on the leader’s behavior concerning his capacity for the firm’s administrative planning.

Besides of these three categories, an environment could influence on leadership. In other words, different environment needs different leadership qualities.

Fundamentally, in the current business environment distinguished by different challenges such as globalized market, competition, high technology, innovation, management, sustainable development; SMEs have to utilize proper strategies, policies and solutions to deal with these challenges, survive and grow up in market. Leadership is fundamental element for SMEs to overcome these challenges. Generally, it is important to develop the competences and effectiveness of leadership at various levels, defining mobilizing goals, ensuring the clarity of objectives, building high performance teams, concentrating on developing the best talents, creating a climate favorable to innovation, stimulating permanent learning and creating a culture of value always based on the cohesion of teams and the quality of service provided.

In addition, succession plan are needed for SMEs. Succession planning has four aspects:

1. From internal employees or external people. (Cultural differences can influence them)
2. From internal employees is advantageous to the organization as well as to the internal employees.

3. SMEs/Organization can buy the employees loyalty and commitment, belongingness, shared feeling of development along with the organization by promoting the internal employees.

4. Employees get the benefits of growth in the SMEs/organization

Succession planning is not confined to C-suite replacement. Multilevel succession roadmap is crucial to continue strategic plan execution and to engage workforce for progression with the company’s future.

Succession planning is not about moving people into management but it is about creating tracks that help people develop the skills and attributes that get them to the next level of their careers while benefiting the company in the long term. Effective succession planning provides the following advantages to a SME/company:

- Improve employee commitment and retention
- Meet the career development expectations of existing employees
- Counter the increasing difficulty and costs of recruiting employees externally

Although succession planning is important to ensure continuity of key functions in a SME/company, surveys can show lack of such practice in global companies, particularly small medium enterprises (SMEs).

SMEs' leaders need to have know-how and do-how in the following points:

- Gain knowledge on how to develop a practical succession planning process
- Identify key positions in your organisation
- Assess organisation’s talents for a succession pool
- Design developmental and career plans for the succession pool
- Networking opportunities with speakers and participants

Based on SMEs’ features such as being flexible and adoptable in business environment, competitive, having dynamic environment with changes and difficulties, different kinds of leadership is required to create successful SME.

2. Innovation as Strong and Sharp Technique

Innovation is related to introduction of something new and useful. In particular, innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services. Innovation not only contains new processes, but also old processes, new business systems and new management methods to improve productivity and
hence growth. Generally, innovation creates something new or makes old processes in new path to gain better result and successfulness.

Figure 6: Innovation Process (Tohidi & Jabbari, 2012)

In this study innovation is introduced as a tool to improve business function in order to create successful and sustainable SME. The below table shows different types of innovation based on historical perspective:

### 2.1 Entrepreneurship and Innovation

Entrepreneurship could be introduced as a creative and innovative response to enhance economic situation. Entrepreneurship is not only created through innovation, but also could be improved by innovative techniques and tools. So, there is a relation among entrepreneurship and innovation to create new businesses and improve them in order to gain economic opportunity. In particular, innovation is vital for entrepreneurship to be successful and sustainable.

Basically, there two parts that go into innovative entrepreneurship; invention is the first part that means come up with a new idea for a good or service and the second part is about transforming the idea to product or service and commercializing it.

Different reasons for innovation in entrepreneurship are mentioned. The most important ones are:

- Innovation in entrepreneurship is required to make value for the longevity of a business.
- Innovation is a tool to create multiple solutions for entrepreneurship to be aligned with current trends and demands, create better and more useful solutions in order to choose the best one to gain successfulness.
- Innovation in entrepreneurship is needed for competition. It means that every entrepreneur needs to use innovation as a tool to keep up with their competition through products and services in lower price, and still be cost-effective and qualitative.
- Innovation makes SMEs be able to compete with large businesses in order to improve economic systems. In other words, innovation is a tool promoted the role of entrepreneurship in improving living standards.

Generally, innovative entrepreneurship influences on the economy at three levels: at the aggregate level, at the consumer level, and at the firm level. At the aggregate level, innovative entrepreneurship, makes a profit for economy by creating new jobs, increasing income and raising the potential for new investments. At the consumer level, innovation makes value for
consumers such as the improved products or services at lower costs. At the firm level, innovators could compete with other companies that are not innovators through the cost advantages that innovation produces.

Fundamentally, innovative entrepreneurship is the key not only to improve economic situation, but also to increase standards of living and livability. Therefore, creating innovative entrepreneurship through innovative and creative tools and strategies are required to improve standards of living.

2.2 Innovation Management

Innovation management is about improving the way of organization be managed in order to gain its aims. Basically, the foundation of innovation management is innovation and creativity and its main goal is to alter the processes of the service or business in better path.

Innovation management makes new products, solutions and services when changes in customers, industry, technology, economy and society happen. The most important roles of it in businesses are:

1. Developing the innovative product or service
2. Building the business to market the product or service
3. Developing new business models to create new source of income
4. Improvement of internal process to enhance company form within or to save and reduce costs

Framework of innovation management is:

- **Innovation Strategy:** It is concerned on strategic decision. Innovation strategy needs to make balances among value capture and creativity, incremental innovation and radical innovation, technological innovation and business innovation, internal innovation and external innovation.

- **Innovation Organization:** It is concerned on organizational approaches such as linear innovation, systematic innovation and dedicated innovation center. In this step some questions should be answered:
  - Where is innovation generated?
  - Where could generation be generated?
  - Where could each type of innovation be generated?
  - How can innovations find the higher chances to get through?

- **Innovation Systems:** It contains processes, teams and networks. Innovation systems must be designed and tuned in order to perform the innovation strategy. Fundamentally, innovation systems expand the innovation culture. Innovation processes enable effective and efficient management of innovation in order to continue improvement cycle. Idea
management, innovation portfolio management and innovation strategy follow up are introduced as main innovation processes. Innovation systems include innovation process teams, innovation project teams, internal innovation ecosystems and external network.

- **Innovation Metrics**: Innovation metrics framework is formed through resources such as funding, innovation strategy, access to talent and knowledge, motivations, tools and external network, processes including effective project, quality of a product and innovation strategy. In addition, performance and value-added are declared as output and outcome.

- **Innovation Culture**: Innovation culture focuses on creativity, diversity, communication, cooperation, motivation, commitment, initiating, risk and knowledge sharing.

Fundamentally, innovation management is the combination of management and innovation processes in order to change management to make it better. It refers to product, services, business processes and organizational processes. In addition, the focus is not only on the new, but also on the benefits of innovation.

### 2.3 Process Innovation

Innovation could be utilized as a tool to change or improve old processes in order to enhance business and organization function.

Process innovation is about new product ideas into the process like product and service; or process that is new or fully developed.

Six generations for innovation process are introduced:

1. **The first one** is linear model named technology push. It is related to market needs and pushed by sciences and technologies.

2. **Market pull a linear model** is the second one. This model is concerned on market needs.

3. **Coupling model** is introduced as the third generation. It recognizes the influence of technological capabilities and market needs within the framework of the innovating firm. Stage-Gate model and Collaborative Innovation are the most famous models of this category. Stage-Gate model divides the product innovation process into stages. At the end of each stage, a phase review to evaluate whether the previous phase or stage was successfully completed or not is used. Better quality in the innovation process and comprehensiveness are the advantages of Stage-Gate. Collaborative Innovation (CI) process developed at United Technologies Research Centre (UTRC) is a conceptual design phase of product innovation. Focusing on value needs of the different stakeholders, as well as the innovation focus using problem formulation such as TRIZ, is its advantage.

4. **The fifth generation model** was invented in 1990s to explain the complexity of the innovation process. This model is concerned on external environment and the effective communication with external environment. Generally, innovation happens through a network of internal and external stakeholders. So, it is vital to establish roles of all parameters. It is a closed networks.
of innovation. In such system, employees within the organisation develop the ideas internally and in secrecy.

The last generation is an open systems of innovation. Chesbrough was introduced it for the first time. It is not only focused on internal idea generation and development, but also focused on external paths to market can be combined to advance the development of new technologies. Open innovation systems help organization to make opportunities be growth at a lower risks.

<table>
<thead>
<tr>
<th>Generation</th>
<th>Period</th>
<th>Authors of fundamental ideas</th>
<th>Innovation model</th>
<th>Essence of the model</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1950s late 1960s</td>
<td>Technology Push</td>
<td>Linear Process</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Late 1960s-first half of 1970s</td>
<td>Myers and Marquis, 1969</td>
<td>Market (Need) Pull</td>
<td>R &amp;D on customer wishes</td>
</tr>
<tr>
<td>3</td>
<td>Second half of 1970-1980s</td>
<td>Mowery and Rosenberg, 1979</td>
<td>Interactive Model</td>
<td>Interaction of different functions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rothwell and Zegveld, 1985</td>
<td>Interactive Model</td>
<td>Interaction with research institution and market</td>
</tr>
<tr>
<td>4</td>
<td>End of 1980s- early 1990s</td>
<td>Kline and Rosenberg, 1986</td>
<td>Integrated Model</td>
<td>Simultaneous process with feedback loops: Chain-linked* Model</td>
</tr>
<tr>
<td>5</td>
<td>1990s</td>
<td>Rothwell, 1992</td>
<td>Networking Model</td>
<td>System integration and network( SIN)</td>
</tr>
<tr>
<td>6</td>
<td>2000s</td>
<td>Chesbrough, 2003</td>
<td>Open Innovation</td>
<td>Innovation collaboration and multiple exploitation paths</td>
</tr>
<tr>
<td>7</td>
<td>2010s</td>
<td></td>
<td>Open Innovator</td>
<td>Focus on the individual and framework conditions under which to become innovative</td>
</tr>
</tbody>
</table>

Table 2: Innovation Models Evaluation in Historical Perspective (Kotsemir& Meissner, 2013)

Fundamentally, process innovation is concerned on the path of translating new or existing knowledge into marketable solutions to alter and improve old process in order to gain productivity and better results.

### 2.4 Financial Innovation

Fundamentally, the modern economy cannot exist without the efficient financial system that it is described as an integrated part of the economic system. So, SMEs as part of financial system of countries play important roles in economic system situation. It is vital to create sustain-
able financial system through SMEs. Innovation could make sustainable and successful financial system. In other words, the role of innovation in the economic development is in constable. Financial innovation could be existed in financial system in two categories:

✅ The financial innovations are defined as any new developments in financial instruments (entirely new instruments, combination of traditional instruments, modification of traditional instruments, new application of existing instruments, etc.)

✅ The financial innovations include any new developments in any elements of the financial system (markets, institutions, instruments and regulations).

Financial innovation is utilized when traditional financial solutions are no longer available and effective or when the costs concerned on the introduction of the financial developments are lower than traditional solutions.

Based on various criteria, financial innovation categorizes to eight groups:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Types of Financial Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source of Innovations</td>
<td>Supply-driven innovations</td>
</tr>
<tr>
<td></td>
<td>Demand-driven innovations</td>
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<tr>
<td>Factors of Innovations</td>
<td>External factors driven innovations</td>
</tr>
<tr>
<td></td>
<td>Internal factors driven innovations</td>
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<tr>
<td>Motivates of Innovations</td>
<td>Adaptive innovations</td>
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<td></td>
<td>Aggressive innovations</td>
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<tr>
<td></td>
<td>Defensive innovations</td>
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<tr>
<td></td>
<td>Protective innovations</td>
</tr>
<tr>
<td></td>
<td>Responsive innovations</td>
</tr>
<tr>
<td>Elements of the Financial System</td>
<td>Financial market innovations</td>
</tr>
<tr>
<td></td>
<td>Financial institutions innovations</td>
</tr>
<tr>
<td></td>
<td>Financial instruments innovations</td>
</tr>
<tr>
<td></td>
<td>Financial regulations innovations</td>
</tr>
<tr>
<td>Types of Innovations</td>
<td>Product innovations</td>
</tr>
<tr>
<td></td>
<td>Process innovations</td>
</tr>
<tr>
<td></td>
<td>Risk-shifting innovations</td>
</tr>
<tr>
<td>Effects of Innovations</td>
<td>Sustainable innovations</td>
</tr>
<tr>
<td></td>
<td>Harmful innovations</td>
</tr>
<tr>
<td>Moment of Creation</td>
<td>Ex-ante innovations</td>
</tr>
<tr>
<td></td>
<td>Ex-post innovations</td>
</tr>
<tr>
<td>Underlying Assets</td>
<td>Debt-linked innovations</td>
</tr>
<tr>
<td></td>
<td>Equity-linked innovations</td>
</tr>
</tbody>
</table>

Table 3: Classification of Financial Innovations
(Blach, 2011)

Besides of this classification, the other categories are introduced for financial innovation. For instance, Economic Council of Canada classifies financial innovation based on the function to three groups: (1) market-broadening instruments, (2) risk management instruments and (3) arbitraging instruments and processes or Bank for International Settlements categorizes it based on function to five classes: (1) price-risk transferring, (2) credit-risk transferring, (3) liquidity-generating, (4) credit-generating and (5) equity-generating instruments.
Although these categories are different, the theory of financial innovations is focused on their impacts on the financial system. The main aim of financial innovation is to make changes in efficiency and stability of financial system in order to create sustainable financial innovations. Furthermore, sustainable financial innovations could make profits in decreasing the negative elements of the financial system through reducing level of risk, closing the information gap, degrading the transaction cost and minimizing the tax payments and improving the positive elements of the financial system by preserving its stability, promoting its efficiency in performing its core functions, providing services and instruments better aligned with the system participants needs and goals.

In particular, financial innovation could improve the economic growth and increase the social wealth. But it is needed to extensive knowledge about its way of functioning and a thorough analysis of its consequences to gain positive impacts of financial innovation.

### 2.5 Innovative Techniques

The development of innovation includes administration innovation, technical innovation, process innovation, and product innovation based on information and technological advances and new methods in production process become a major consideration for improving the business competitiveness.

There are different innovative techniques could be used as tool to improve productivity and efficiency of businesses through solving problems, new processes, new ideas and making risks as new chances. The most creative ones are:

**TRIZ:**

TRIZ is a Russian problem solving theory. The word TRIZ was given from Russian word "TEORIVA RESHENIVA IZOBRETA TELSKIKH ZADATCH" which means theory of Inventive Problem Solving. It was developed by by Genrich S. Altshuller and his associates in a private section in the former Soviet Union in 1940s.

Genrich S. Altshuller realized three main findings through his inventions and studies:

1. Problems and solutions are repeated across industries and sciences
2. Patterns of technical evolution are also repeated across industries and sciences
3. The innovations used scientific effects outside the field in which they were developed

It could be said that :TRIZ is a philosophy in technology, a methodology for reorganizing science and technology from the technology side, a technique for innovation, and a huge system of knowledge base of technology reorganized in such a perspective, altogether at the same time.

Fundamentally, TRIZ provides excellent models and concrete tools to think creatively in the whole range of technology.
The TRIZ matrix is utilized to create alternative solutions. In particular, TRIZ method declares that every specific challenge that an organization faces can be controlled and reduced to a general problem that has been faced before. This general problem has a general solution based on one of the 40 inventive principles that TRIZ matrix contains. These 40 inventive principles are: segmentation, extraction, local quality, asymmetry, merging, universality, nested doll, counterweight, preliminary counteraction, preliminary action, cushion in advance, equipotentiality, the other way round, spheroidality, dynamics, partial or excessive actions, partial or excessive actions, transition into another dimension, mechanical vibrations, periodic action, continuity, rushing through, blessing in disguise, feedback, intermediary, self-service, copying, cheap objects, replace mechanical system, pneumatics and hydraulics, flexible shell, porous materials, color changes, homogeneity, discarding and recovering, parameters changes, phase transitions, thermal expansion, strong oxidants, inert atmosphere, composite materials.

**IMP3rove:**

IMP3rove is based on innovation management that is a tool to develop the growth targets and thriving in an ever more competitive business environment; in order to improve businesses' goals through proper and innovative management. Based on IMP3rove system, an organization’s innovation success can be achieved in five innovation management dimensions: innovation strategy, innovation organization and culture, innovation life-cycle processes and enabling factors such as human resources management, knowledge management, project and program management, controlling and IT; significantly enhance innovation results. It is established by "A.T. Kearney House of Innovation". This framework could be used as an effective tool to make economic growth of organisations, regions and countries sustainable.

**Innovation Strategy:** It identifies the most promising areas where the businesses can achieve superior profit growth rates either with new products/services or with existing products/service in new markets or with new or improved processes or business models. Generally, it gives the firms direction and focuses all innovation management activities for maximum impact.

**Organization and Culture:** Organization and culture must support innovation's strategy in order to reach profit growth. Generally, businesses must have the structures, for instance, to integrate external partners in their development processes or to seamlessly manage the development processes. Their culture must be open to new ideas no matter where they come from. The organisation has to translate the innovation strategy to pursue those ideas that are most promising for their focus areas.

**Innovation Life-Cycle Management:** It covers the integration and management of innovation life-cycle processes including idea management, product/service and process development, launch, continuous improvement and the discontinuation of e.g. products and services of firms.

**Enabling factors:** These factors such as knowledge management or capabilities in specific technologies or expertise in new market development also have a significant impact on growth through innovation management. They must be aligned with the organization innovation strategy, allocated in the right manner in the organization and leveraged for successful innovation management to exploit the growth potential of the innovation.
These four dimensions of innovation management are geared to increase the innovation and business performance in order to make businesses and organization profitable growth.

**The Aachen Innovation Management Model AIM:**

It is related to strategic level. The goal of the AIM is to achieve stable innovation ability through the decisive field of activities and its detailing by means of influencing factors, enterprises are able to position themselves. Another step of the model is to enable the statement of the nominal condition, which is oriented towards the corporate development.

Due to the discrepancy between the nominal and the actual condition, strategic needs for action and the corresponding goals can be educed. The result is a holistic innovation management oriented towards the corporate development.

Fundamentally, innovation management could influence tasks in three areas: innovation organization concerned on structures, innovation planning concerned on activities and innovation leadership concerned on behaviour.

- **Innovation planning:**
  
  The innovation planning impacts on future generation. It has four main dimension: the temporal alignment, the competence orientation, the external orientation and the planning framework. The main task of innovation planning is to utilize and expand the created market position in the most effective path.

- **Innovation organization:**
  
  It is a part of innovation management concerned on innovation planning and controlling. The goal of the innovation organization is to establish structures proceeded to an optimal innovation ability of the enterprise. Task positioning, information exchange, budgeting and resource assignment as main indicators are required to gain aims.

- **Innovation leadership:**
  
  Innovation leadership aims at developing a staff behavior which supports innovation. Staff encouragement, decision making, performance evaluation, and communication behavior are the indicators of innovation leadership. Innovation leadership is a powerful but challenging instrument to influence innovation capability. It is associated with high requirements for employees and can only be changed based on the broad acceptance of all persons involved.

**2.6 Productivity and Growth through Innovation**

Productivity is about a ratio between the output volume and the volume of inputs. It is about efficiency plus effectiveness and output of a business. In particular, productivity is realized as a key element for SMEs and businesses to gain long-term economic growth. In other words, it is the tool needed for success of each business. Therefore, productivity play important roles in SMEs success. It is needed to improve it towards development of SMEs with high efficiency.
There are different ways and strategies to enhance productivity. Management, leadership, innovation, high technologies, proper human resource, education, vocational training, proper market and other tools and techniques could make productivity improved. In general, when we talk about success of a business, it directly relates to productivity.

Innovation is a tool for organizations to make their ideas to reality for long run benefits and survival in the markets. Innovation is one of the most important phenomena businesses faced with for their success. In other words, every business especially SMEs are required to utilize innovation strategies to compete in global environment. Each level that the organization face with from input to output, needs to use innovation in its process to make successful and sustainable business.

In order to gain sustainability and growth through innovation, it is required to utilize innovation in all level of businesses. In addition, processing some levels to achieve innovation are needed. These levels are:

- Approaching to innovation:
  
  Analyzing the market and identifying opportunities for innovation are the main steps at this level.

- Planning innovation:
  
  It focuses on making innovation as a part of business strategy. Innovation not only could make businesses be survived, but also it could make increased profits. Finally, innovation should be added to business plan to be used.

- Promoting innovation:
  
  Suppliers, business partners, business network contacts, employees and other resources could be used to generate and promote new ideas for businesses. Generally, it is needed to create innovative environment to encourage innovative ideas. Promoting innovation could be achieved through these approaches:
  
  ✓ Creating supportive and creative environment for working
  ✓ Promoting business strategies based on innovation
  ✓ Utilizing innovative risk management and management based on innovative strategies
  ✓ Promoting sociability between individual and teams
  ✓ Improving responsibility of each employee at every level for innovation
  ✓ Educating innovative capitals

Fundamentally, utilizing innovation in businesses not only could improve productivity and growth but also could reduce cost, be more competitive, make the profit of the brand, establish new partnership and relationships, increase turnover and improve profitably. In particular, innovation can increase productivity and efficiency of the businesses in order to make economic growth and businesses growth. So, innovation in different parts of businesses is vital to create successful and sustainable organizations.
3. Growing SMEs through Technologies

Nowadays, we passed the 1st, 2nd, 3rd and 4th waves (ages). Since we reached the 70ies the technologies are able to change and improve environment, business, economic and even impact our lives. Technology could influence on every aspect and level of businesses such as marketing, productivity, mobility, operations efficiency, security and effective costumer communication in order to improve organizations' function. In addition, innovation could be achieved through high technologies. Fundamentally, technology is a proper tool to make SMEs growth.

3.1 IT and Digitalization as Tools towards SMEs Development

Improving technology and utilizing high technology such as IT and digitalization would affect on SMEs function and make it be enhanced. Technology could be used as a tool for SMEs not only to improve their business performance but also influence on global economic growth. High technology is a tool to make innovation possible.

Fundamentally, digitalization and high technology change business models, technology, work environments, developments of skills and recruitment of talents as ways to improve SMEs function. The basic role of digitalization is to make full use of ICT facilities to achieve worldwide resources and derive a benefit for society at the same time.

Digitalization transformation that is called "fourth industrial revolution" makes enormous opportunities for countries to participate and compete not only in local market, but also global ones though utilizing innovation and reducing the costs of business processes. The main impacts of digitalization on SMEs are:

- **Wider scope:**
  Advancement of digitalization make better opportunities for SMEs to expand their business in wider environment.

- **Increase in revenue:**
  Revenue is one of the main objective of businesses and it influences on growth of the businesses. Digitalization makes SMEs be benefited in profitably and growth.

- **Intense competition:**
  After digitalization new businesses started in business environment. In addition, businesses couldn't last more than a year, they would be able to continue competition in business environment through utilizing technology. Although the digitalization makes chances for businesses to participate in business system, it makes intense competition environment and has negative impacts on business system.

- **Digital marketing:**
Digital marketing helps many business to improve their businesses and performance at low cost. Social media is an important tool for businesses to promote their businesses. Fundamentally, digital marketing play roles in productivity and efficiency of businesses.

✓ **Wider costumers:**

Digitalization allows businesses especially SMEs to evolve in new markets, compete with larger businesses, participate in international market and advertise in a good way. So, wider costumers could be descanted through technology and digital market.

✓ **New business opportunities:**

High technology and digitalization create new ideas as a tool to make new business opportunities.

✓ **Improve innovation:**

Technology and digitalization are tools to make innovation ideas be performed. Basically, technology not only creates innovative ideas, but also many ideas based on creativity happen.

Four groups of obstacles are realized for SMEs to utilize digitalization in their business:

**Challenges related to company management:** This category is concerned on challenges related to low awareness and unfavorable mindset towards digitization.

**Challenges related to organization:** Lack of resources, knowledgeable and expert capitals are settled in this category.

**Challenges related to finances:** Challenges related to access to loans and investment money are finance challenges.

**Other challenges:** Other barriers that make SMEs not use digitalization in their business such as political challenges, technical obstacles and etc.

The other kind of high technology made revolution in businesses is Industry 4 (I4.0). Industry 4 is related to intelligent networking of machines and processes for industry through the help of information and communication technology. Germany’s National Academy of Science and Engineering (Acatech) has addressed the challenge by introducing the concept of "**Industry 4.0**" in 2013, calling for German manufacturing firms to enter the IT revolution by "consistently integrating information and communication technology into its traditional high-tech strategies so that it can become the leading supplier of smart manufacturing technologies."

The cause of Industry 4.0 has been taken up by the German government and is a favourite theme of Chancellor Angela Merkel. The government has invested 200 million euros in Industry 4.0 research. With this policy, the government seeks to create test beds for new ideas in industry and to convince the smaller Mittelstand firms to take up the cause of digitization.

The main benefits of Industry 4 are:

- To develop core ideas in groups to deal with challenges
- To create and provide recommendation for companies, academics and politicians
3.2 Roles of Network on SMEs

When talking about growth and development of SMEs, network has a role on it, because no businesses operates alone. Other entities in the business environment, such as customers, competitors, banks and creditors influence on businesses. Networks could create a more predictable environment for social and economic exchange activities to improve SMEs function.

Network is about set of elements and members connected to each other as a result of the relationships among members. Based on other definition, network is introduced as "interactive relationships that individuals, businesses or any other entities have with others". In addition, it is realized that network is related to process of building and engaging in networks.

Among different kinds of networks, social networks and networks related to management such as networks with suppliers, customers and competitors could influence on SMEs growth. Although network could make SMEs growth, SMEs features like personal characteristics (SME owner’s age, gender and educational level), firm characteristics (business size and age) and business characteristics (market orientation and competitive intelligence) have positive and negative impacts on networks in order to improve SMEs development.

Fundamentally, based on researches Ethic and managerial networks are introduced as ones required for SMEs growth. Managerial network makes number of customer and employee be grown. In addition, it influences on growth of net profit. On the other hand, ethic network improves sales, equipment, assets and employment situation. So, these two kinds of networks could make SMEs be improved and developed.

In particular, networks play important roles in growing SMEs through providing financial assistance, consultation or business information, lower costs and easier credit facilities, increasing numbers of customers and employees and providing access to external resources.

3.3 SMEs and E-Business

E-business focuses on integrating of internet and related ICTs into the business organization to promote production processes, customer engagement processes, and internal management processes. In particular, improving high technologies influence on utilizing E-businesses as a tool to enhance businesses especially SMEs growth and development.

Utilizing E-business through SMEs has benefits such as:

- Promoting the efficiency of business processes like documentation, data processing and other back office functions
Organizing and controlling all incoming orders
Reducing the transaction costs by using internet
Maximizing value from transactions
Improving communication through using internet
Collecting information on customers’ needs through internet in order to make product development and innovation
Making improvement in services and quality
Ability to find out and supply customers hidden needs
Enhancing valuable business knowledge and experience
Creating global and international SMEs
Provides a better environment for SMEs’ to join and complete in a wide variety of supply chain and globalization
Improving employment
Make possibility for SMEs to attract investors
Improve efficiency and productivity

Fundamentally, there is no doubt that economic situation of organizations could benefit from applying E-businesses. In addition, E-businesses is an innovative path to make SMEs successful and sustainable through its advantages.

The most significant barriers concerned on E-business that SMEs confront with are: technological challenges including security issues, cost of performance, network quality; organizational barriers such as lack of knowledgeable and expert staff, lack of proper time for performance, unsuitability for business; external problems including low use by costumers, challenges based on cultural norms, government strategies, legal and regularity environment; economic challenges such as lack of financial resources, financial risks, uncertainty of financial returns, high implementation costs and other challenges like lack of support and system maintenance, lack of interest in using internet for business activities, lack of interests to participate and engage in e-business by managers, security concern and hackers problem.

3.4 SMEs and E-Commerce

Electric commerce is about buying or selling of products online services through the internet. Improving high technologies and digitalization enhance utilizing of E-commerce. Electric commerce technologies could make firms at high level of productivity and efficiency. Electronic technologies influence on business processes such as distribution, sales, after-sales service, inventory management and etc., and cost saving. Fundamentally, SMEs use E-commerce to invent new paths to create value-added, new services and new business models, utilize e-
commerce strategies expanding the businesses, be international or global business, increase effectiveness and productivity of businesses, enter into electronic partnerships with large firms in order to make SMEs be developed and improved.

Internet and e-commerce have useful advantages for SMEs development such as:

- Saving transition cost
- Reducing cost of advertisement and promotion
- Reducing delivery cost
- Better communication between buyer and seller with higher speed
- Minimizing transport risks and obstacles
- Reducing the influence of physical limitation of time and space

Although internet-based electronic commerce has significant advantages for SMEs, it confronts with barriers made SMEs functions are worsen.

Lack of awareness about E-commerce and E-commerce business models, lack of knowledge of e-commerce, confidence problems, legal and regulatory framework, lack of information of infrastructure access, security issues and high costs are the other challenges based on E-commerce that SMEs confront with.

SMEs have to struggle with these challenges through qualified educational assistance, technological infrastructure and legal framework, providing a climate concerned on fostering the commercial application developers and innovative environment in order to apply strategies based on E-commerce to improve SMEs function.

4. Knowledgable and Intellectual Capital

Knowledgeable and intellectual workers are required to achieve successful SMEs. In particular, qualified capitals who are aware of management, risk management, innovation, roles of technology on improving SMEs function and sustainable strategies can impact on SMEs growth and development. In other words, education as a tool to train knowledgeable and intellectual capitals plays important role in creating successful and sustainable businesses especially SMEs.

4.1 Vocational Training

The education of entrepreneurs concerned on training managers and workers with confident, knowledge, skills and aware of indicators required for businesses is one of the main key to create successful SMEs. Lack of proper education and training are the main barriers for creating successful SMEs. Basically, SMEs need new academic training and vocational education
as tools to grow up professional capitals in order to gain successful results. Education in different scales like regional, national and international levels for not only managers and owners but also workers are essential to achieve successful global SMEs.

According to a European research compiled by CEDEFOP, workers require higher skill levels, up-to-date competence, information and skills focused on ICT and 'green' technologies as a useful tool for success to be aligned for future job.

Increasing knowledge of employers, employees and managers their managerial capabilities, mechanisms for accessing knowledge from external sources, utilizing innovation and high technologies in their performance, HR, green and sustainable strategies are required for growth of SMEs. In addition, increasing awareness of SMEs roles in economic development and making sustainable countries is the other section of education. Education in international, national, regional and local levels are needed to create successful global SMEs. These focus on education in the form of qualifications, adult training and experience gained in business. Besides of such education, proper education in childhood and early adulthood could influence to become a successful entrepreneur. In particular, children's creative potential is a significant indicator entrepreneurial career prospects that is needed to grow. So, qualified education in childhood and improving children's creativity impact on successful entrepreneur. Currently, there has been little attention to the role of childhood such as elementary and high school on creating successful SMEs.

Fundamentally, education plays important role in training knowledgeable capitals as a tool to create successful SMEs.

4.2 Roles of Vocational Training on SMEs

Practical education is vital for growing up skilled and qualified labors and entrepreneurs as indicators of successful businesses. Therefore, vocational training is needed to enhance practical education concerned on growth of SMEs.

Vocational training is classified in four categories:

- Pre-employment: This category prepares individuals for entering into employment.
- Upgrade training: It is about additional training for employed individual to be skillful if their jobs change, if the technology and work environment become more complex or if they advance within the company.
- Retraining: It concerns on training for individuals who have lost their jobs in order to find new ones, or for individuals who seek new careers to develop the necessary competences for employment.
- Remedial: It provides education and training for individuals who are in some way marginal or out of the mainstream labor force; typically those who have not been employed for a long period of time or who do not have any labor-market experience; usually people depending on public income.
Vocational training has social and economic benefits for businesses. SMEs could benefit from vocational training advantages. These are shown in below figure:

![Image of Vocational Education Training (VET) Benefits](Cedefop, 2011)

**Figure 7: Vocational Education Training (VET) Benefits**  
*(Cedefop, 2011)*

Fundamentally, vocational training is required to grow up qualified employees and employers to create successful SMEs with social and economic development.

### 4.3 Intellectual Capital

Intellectual capital was defined by Steward as an intellectual material consisting of knowledge, information, intellectual property, an experience in order to create prosperity. Khalique et al.8 realized intellectual capital as a combination of intangible assets or resources, such as knowledge, know-how, professional skills and expertise, customer relationships, information, databases, organizational structures, invoices, social values, faith and honesty. Although there are differences in definition of intellectual capital, human capital, structural capital and relational capital are introduced as main components of it. Human capital is concerned on knowledge, ability and the experience of the employees. Structural Capital is about supporting infrastructure for human capital, in other words the existence of structural capital develops human capital. Relational capital is about relationship that is able to be established by company’s external parties, such as customers, suppliers, partners, and regulator.
Intellectual capital is introduced as an essential tool to make productivity, improving economic performance, organizational competitiveness and sustainability. In addition, it makes competitive advantages through utilizing and optimizing component of intellectual capital.

Fundamentally, there is a strong relation among intellectual capital, its’ dimensions and sustainability of businesses.

5. Sustainable SMEs

Sustainability is required to gain successful SMEs. In other words, sustainable SMEs could be introduced as successful one. Generally, sustainability is the main indicator of being successful business. In this part, indicators of sustainable SMEs, importance of them, challenges and solutions related to sustainable SMEs are explored. In addition, sustainability is declared in next chapter.

5.1 Indicators for Sustainable SMEs

Proper business model concerned on sustainability is needed to achieve sustainable SMEs. To design proper business model, all tools and techniques introduced in previous sections are indicators of sustainable SMEs:

- Sustainable project management:
  Management and leadership are required for businesses to improve their performance and survive in business market. So, sustainable project management including risk management, management focusing on culture, global management, leadership and behavioral economics would impact on creating sustainable SMEs.

- Innovation:
  Innovation through creating new ideas, new processes, and new solutions for business challenges, altering risks as new opportunity, making problems be improved, designing and utilizing strategies concerned on sustainability is a tool to make sustainable SMEs. In addition, innovation could influence project management strategies and solutions to create sustainable one. The importance of innovation in entrepreneurship is to produce a product or a solution. Fundamentally, innovation is important tool for making SMEs and businesses sustainable and successful.

- Technology and digitalization:
  Technology and digitalization are tools not only utilize to achieve proper management and innovation, but also to create new processes and performance in order to gain better result. For instance, e-business is generated through technology that is one of the reason of growing small businesses. Generally, technology influences on SMEs development directly and indirectly.
• Knowledgeable capitals:

Training knowledgeable and qualified workers through suitable education and intellectual capital to aware of innovation, technology and project management are required to gain sustainable SMEs. In other words, workers, managers and owners play important roles in successful businesses. So, they should have enough information, knowledge and expert to design and use proper business model.

• Sustainable policy:

Business plan and strategies used by SMEs should be aligned with sustainability and sustainable development in order to create sustainable businesses. Business plans and policies of businesses are concerned on social sustainability, environment sustainability and economic sustainability to achieve sustainable SMEs.

5.2 Importance for Sustainable SMEs

Based on increasing population of the world, growing humans' demands, and producing new needs, creative paths are required to be aligned with challenges. New business ideas like innovative entrepreneurship are required to supply humans' demands. In addition, SMEs are introduced as a tool to develop economy systems of countries. In other words, are perceived as the backbone of any country. Madanchian et al. believed that SME is a fuel of growth, motivator of social and economic transformation in a better path of a country. For instance, it is reported that European Union, around 99% of economic activities are related to SMEs made two thirds of all jobs in the private sector. In particular, characters of SMEs such as flexibility, mobility, innovation and capacity to adapt, impact on roles of SMEs in economic and social life of any country.

Generally, entrepreneurship could be a creative response the environment and an ability to recognize, initiate and create an economic opportunity. So, SMEs could be a path to gain sustainable development that is introduced as a response to improve livability of the world and maintain it for future generation.

Fundamentally, Sustainable entrepreneurship achieves sustainable development through its benefits such as social responsibility, competitiveness, progressiveness, knowledge creation and usage, innovativeness, seeks for business benefits creating social value, tackles with environment challenges in order to make sustainable environment and sustainable economic.

5.3 Challenges and Solutions

The main challenge for SMEs is concerned on participating in global market. Participating in global market and grow up there; are required specific characters and features that SMEs need to gain. In addition, SMEs should be aligned with global market demands in order to survive in global market. Therefore, SMEs confront with challenges, obstacles and restrictions in order to participate in global market. The most significant ones are:
Competition:
One of the main challenges that SMEs confront with to participate in global market is about competition. SMEs have to power and potential to compete in market. It means that each business needs specific products and services in order to be able to compete and survive in business environment.

Political factors:
Political factors and environment of a country could influence on businesses through increasing risks and making business environment less friendly.

Political factors such as tax and economic policies, foreign trade regulations, employment laws, political instability including wars, sanction and etc., could influence on SMEs functions. For instance, sanction causes difficulties and obstacles for businesses in an international market. Money transfer is one of the main difficulties related to sanction. In addition, sanction could influence on relation among countries and therefore, it impacts on businesses especially in global environment.

Social factors:
Society factors based on society environment including society believes, its customs, its practices and behavior ways could influence on business performance. The main social factors that are related to business performance are: wealth, education level, habits of buying, citizen’s interests and values, awareness of citizens about different aspects of life like health, environmental challenges and etc., age distribution, population growth and etc.

These factors influence on businesses through affecting citizens' attitudes, opinions and interests in positive or negative way. In other words, social factors impact on businesses through their risks and opportunities.

Cultural norms:
Cultural norms such as business norms, taboos, fashion trends, lifestyle, creativity of people, citizens' beliefs, language, religion and etc., influence on businesses especially in global market. To achieve successful business, it is required to organize and manage business performance in a way be aligned with cultural norms. In addition, global businesses need to be aligned with cultural norms of country that are worked with. In other words, cultural norms are able to shape global market environment. Fundamentally, culture through understanding or miss-understanding of costumer would influence on businesses.

Educational factors:
Education is not only part of social and cultural factors, but also it is independent indicator that influences on businesses function and performance. Proper education and training is realized as one of the main factor needed for successful business and SME. In other words, knowledgeable, expert, intelligence and qualified employers, managers and leaders are required to gain successful SME that needs high education. In addition, smart costumers are needed for successful business that education could train smart people and costumers.
Technical factors:
As it was mentioned, high technologies are needed for successful SME. To utilize such technologies, not only education is needed, but also highly technical systems are required. It means that high technical systems play important roles in developing of business.

Economic factors:
Economic factors such as unemployment, income, interest rate, inflation rate, money policy, banking facilities and services, assets prices, government debt, rate of money exchange etc., can impact on business performance in local and global market. Economic factors are one of main indicator that influence on business successfulness.

Utilizing technology and innovation:
As it was mentioned, technology and innovation are required to achieve successful SME. So, one of main challenges that SME confronts with is using technology and innovation. Generally, it is vital to train capitals that are familiar with technology and innovative solutions. Therefore, technology and innovation are realized as kind of challenge for SMEs to gain their objectives, because these two parameters play important roles in finding out solutions to develop SMEs objectives to create successful business.

Global standards norms:
To compete in global market, it is needed to being aligned with standard norms. In other words, global products and services have quality based on global standards. Therefore, SMEs need to produce services and products that are produced based on standard global norms.

Sustainability and sustainable development:
The main challenge that only each country face with, but also the world confront in in order to preserve from their problems is sustainable development. In particular, each country try to develop sustainability in order to improve citizen livability and quality of life. Therefore, SMEs should act in a path to develop sustainability in their countries. To achieve this goal, utilizing strategies, policies and solutions concerned on improving sustainability is required. In other words, SMEs functions should be aligned with sustainability that is required specific strategies, policies, techniques and solutions.

These are main challenges that SMEs confront with to survive and develop in local and global markets. To deal with challenges, solutions based on improving sustainability is required. In particular, all these techniques declared in this chapter could be introduced as solutions. In means that SMEs need polices based on proper management including risk management, cultural management, leadership and etc. In addition, high technologies such as E-services, networking and etc., innovation could be used as techniques to achieve SMEs objectives. Besides of these techniques, education and vocational training in order to train knowledgeable, expert and qualified capitals are needed.
Besides of these strategies as solutions, exploring and investigating countries that have successful SMEs could help other countries to find out paths and solutions in order to create successful SMEs. In other words, solutions and policies used by successful countries in SMEs could be used as general strategies to create successful SMEs. Therefore, countries that have successful SMEs are investigated in future section towards realizing strategies and techniques to create successful small and medium-sized enterprises towards sustainable economy, sustainable country with high quality of wealth.

6. Case Studies

In this section, three countries are selected as case studies in order to find position of SMEs in economic systems of each country, even realize the role of SMEs in economic situation. In addition, policies, strategies and secrets used by these countries are declared to gain proper approaches and paths for other counties towards successful SMEs.

6.1 Germany

SMEs play important roles in future of countries not only through creating employment and new opportunities for job, but also through becoming a source of innovation and increased productivity.

German SMEs are famous as successful SMEs. So, Germany is selected as one of Case studies in this book.

SMEs are named Mittelstand in German language. Based on European Commission statics (SBA Fact Sheet) in 2017; 99.5 per cent of German firms were SMEs that formed 63.2 per cent of all jobs subject to social insurance contribution. In addition, they constituted 54 per cent of net value added in Germany. According to this institute definition, SMEs are firms with less than 500 employees and 50 million annual turnovers. These numbers show that German SMEs play important role in economic system of Germany. German SMEs are introduced as backbone of economic system of country. Furthermore, they could influence on sustainability and high quality of livability in this country. German SMEs are one of main solutions utilized by Germany after The World War 2 in order to struggle with its challenges and improve quality of citizens’ life. In other words, German SMEs are one of factors make Germany so sustainable and livable. Therefore, policies that are used by German SMEs care factors make them successful. The main important factors used by German SMEs to create successful business with high productivity and efficiency are:

- **Access to Finance:**
  
  Generally, access to finance, is declared as an indicator for SME development. It could increase starts ups and investment opportunities, even improves productivity and growth of firms. Financing problems are one of main challenges for businesses to grow up. Therefore,
finance system of Germany could be one of factors that influences on creating successful SMEs.

German system is based on Joseph Schumpeter’s that the banker is a supervisor of the entrepreneur. This strong role of bank could influence on SMEs success as an internal factor.

German financial system is bank based including three different types: private banks, public savings banks and cooperative banks. They support local economy of Germany via giving credit to local firms and private households. This system makes the balance between sheets of local public savings banks and cooperative banks more flexible than balance sheets of private banks. It means that private debt securities have not significant role. In particular, there is close-tie and string relation between firms and banks that focuses on long- and short-term credits with low interest rate. This financial system helps German SMEs and firms to overcome their challenges towards successful businesses.

- **Education System:**

Skill, expert and qualified labors play important roles in success of SMEs and economic sustainability through influencing on productivity and innovation of enterprises. Specific education, professional education and vocational training are needed to train qualified capitals as an indicator of SME success.

German education system is one of the factor influenced on SMEs success. It is based on not only university education, but also vocational training. In German education system, vocational education and training system have important roles in education that some universities named universities of applied sciences are established in order to train qualified capitals. This would reduce rate of unemployment especially among youths. Fundamentally, education system of Germany focused on vocational training is one of main indicators of German SMEs success.

- **Industrial clusters and global value chains:**

Firms and businesses can benefit from industrial clusters and value chains. In general, better infrastructure for firms could be gained by clusters. An environment of competition and corporation could influence on cluster. In general, clusters and value chain are factors influenced on SMEs performances and processes.

Firms in industrial clusters of Germany benefit from not only developed infrastructure, but also collaborations with universities and research institutes. This collaboration through government programs and policies could support the power of innovative SMEs and other firms.

German SMEs act in global value chain differently. They have deep value chain strategy focused on producing one main product for one main customer segment in order to be special in narrow market. In addition, the way that German SMEs integrate to value chain is the other key element of their success. They concern on controlling share of their value chain rather than delegating high-tech or high value-adding production to other firms.
• **Social Capital:**

Social capital can be defined as a reciprocity network whose members have formally or informally established relationships. Social capital could influence on secure resources, promoting innovation and promoting SMEs growth. Therefore, it is an indicator required for SMEs success.

German social market economy contains a dense network of companies and a financial system based on bank systems. Another part of social market economy is related to workers right in management decision that is generated through relation and dialogue between strong trade unions and strong employers’ organizations. Fundamentally, social capital could influence on success of SMEs.

• **German Strategy:**

German SMEs follow specific path. For instance, they believe that it is required to think globally and act locally. In addition, they strategies and policies founded on high technologies such as industry 4, proper management, leadership and etc., create successful SMEs.

“Institut für Mittelstandsforschung” (IfM) introduced internal and external factors that make German SMEs be succeeded. The below table presents these factors:

| **Internal Secrets** |  ● Innovative Sprit- innovation- driven enterprises  
|                       |  ● Flexibility  
|                       |  ● SMEs think in generations, not quarters  
|                       |  ● Qualified trained staff  
|                       |  ● Hidden champions  
|                       |  ● Conservative financial conduct  
|                       |  ● Regionally embedded but internationally oriented |

| **External Secrets** |  ● Excellent regional education  
|                       |  ● Adequate, regional financing and funding  
|                       |  ● Well- developed infrastructure and high qualify  
|                       |  ● Effective and competent local administration |

Table 3.4: Secrets of German SMEs  
(Institute für Mittelstandsforschung, 2016)

In particular, factors influenced on success of German SMEs such as proper accessing to financial system, vocational training, employers’ associations, proper wages and working conditions, providing public goods and sufficient macroeconomic framework could be utilized as strategies through other countries in order to make successful SMEs and economic development.
6.2 The United Kingdom

Like Germany, in UK SMEs play significant roles in economic system and sustainability of a country. In UK, SMEs are named “Mittelstand” are firms with less than 250 employees and a turnover of less than €50 million. In 2018 based on statistics, UK SMEs were formed more than 99% of all businesses. This number shows that how SMEs play vital and fundamental roles in economy of UK through wealth creation and generating opportunities for job.

Based on Department for Business, Energy and Industrial Strategy in 2017; 99.9 per cent of UK firms were SMEs that formed 60 per cent of all jobs subject to social insurance contribution and 52 per cent of turnover.

The most important challenge that UK SMEs face is productivity. UK SMEs productivity is less than OECD competitors that financial crisis are the main reasons for low productivity. Accessing the right and qualified talent and skills; finance challenges, leadership and management capacity, improper infrastructure and accessing a customer base in local and global markets are the other challenges that UK SMEs confront with.

There are some strategies and policies aimed at helping SMEs innovative and more productive to improve UK SMEs functions and processes. The most important ones are:

- **SME Access to Support and Advice:**
  Government plays crucial role in helping SMEs be more innovative and productive through providing long-term finance. In addition, accessing to funding streams, improving and increasing collaboration among SMEs, investors and universities could influence on productivity of firms. Improving export is the other solution utilized by SMEs. Government has introduced policies such as trade finance, overseas trade events, strategies and advices concerned on export issues in order to encourage SMEs to export. Fundamentally, such strategies help SMEs be more productive in order to improve their functions and performances.

- **Proper Leadership, management and Digital Skills:**
  In general, management and leadership play important roles in success of SMEs. In other words, productivity, turnover and employment could be increased through proper management and leadership. UK SMEs try to improve leadership and management skills including commercial, project management, financial, strategic thinking and managerial as tools towards successful business. It is tried to aware SMEs about impotence of management and leadership skills in order to make them to be invested in these skills. In addition, specific education and training supported by government are utilized in order to improve such skills. These days, digital technologies could influence on not only management and leadership, but also on productivity and success of businesses. Therefore, UK SMEs improve their digital skills based on digital technologies towards creating successful businesses. Government supports all initiatives, policies and strategies to improve digital skills in order to create digital infrastructure as a tool utilized for successfullness of SMEs.
• **Scale up:**

Scale up are concerned on firms with at least ten employees that develop faster, create more jobs and contribute more in society than their competitors. Although in UK, a few percent of SMEs are scale up, they could influence on improving SMEs. Enhancing leadership and management capability, training talents, increasing awareness of importance of scales up towards investing in business development, enhancing access to international markets and government procurement are solutions utilized to improve and increase scales up in order to support SMEs. Furthermore, government supports scales up through proper strategies like allocating loans for innovative products, long term loans, increasing export, funding and collaborations with industry and universities etc.

Fundamentally, these strategies, policies and solutions utilized by UK SMEs in order to improve their functions and processes towards better economic situation and wealth.

### 6.3 Denmark

Denmark is one of the countries with high quality of citizens' life as well as economic sustainability and business friendly. In particular, Danish SMEs play significant in achieving these dimensions.

Based on European Commission (SBA Fact Sheet) concerned on 2017; 99.7 per cent of Danish firms were SMEs that formed 64.1 per cent of all employed percent and 60 per cent of value added. In addition, productivity of Danish SMEs were around 90 per cent that this number shows Danish SMEs are one of the highest countries in SMEs productivity.

Based on Danish laws, there in so specific definition for SMEs and it could be mentioned that SMEs are firms with less than 250 employees.

Danish SMEs confront significant challenges and barriers such as high taxes, challenges related to using technology and innovation, lack of expert and qualified labors in market, lack of proper fund, organizational and legal restrictions, inflexible labor law, inflexible business environment, demand for regional or local market, complex and unclear administrative procedures, challenges concerned on accessing economic information and competition. Most of these challenges are concerned on accessing SMEs to smaller financial resources. In addition, lack of proper education for training qualified labors, less experience in utilizing of new technologies, marketing of new products and entering new markets are the other reasons of challenges that Danish SME confront with.

Although Danish SMEs face these challenges, they could be approximately successful in business market through their strategies and policies. The main indicators that Danish SMEs benefit from to be successful are:

• **Time:**

To set up new business, time and processes needed for it could influence on entrepreneur to do it or not.
In Denmark, it is needed just about 5.5 days to start up new business. This reality creates friendly environment to set up business. Therefore, entrepreneur are interested in starting up new business.

- **Government Supports:**
  
  Government could influence on SMEs functions, performance and processes.
  
  Danish government supports SMEs via several organizations. For instance, Federation of Small and Medium Sized Enterprises (DFSME) works to improve Danish SMEs functions through making SMEs participate in foreign markets, implementing CSR strategies and etc. Danish Commerce and Companies Agency (DCCA) and The Trade Council of Denmark are the other agencies that supports Danish SMEs to achieve their goals. Generally, government policies such as organization supporting, and leading SMEs are one of indicator helps SMEs to be developed and grown up. Government tries to encourage an entrepreneurial culture in order to develop economic sustainability and improve quality of citizens' life and wealth.

- **High Technologies and Digitalization:**

  We are living in an era that technologies and digital transformation could impact on SMEs function and processes in order to obtain their goals.
  
  Danish SMEs try to use high technologies and digitalization to have digital growth towards successfulness. In other words, digital economy is a strategy used by Danish SMEs for their success. Government set three objectives to lead SMEs to digital growth:
  
  ✓ Trade and industry focus on the potential for growth inherent in digitalization
  ✓ Creating condition for digital transformation of business

  High technology is a way to utilize innovation in market. Therefore, such technology could make Danish SMEs more successful. They use policies and strategies including improving digital skills, digital improvement for SMEs, digital hub concerned on digital growth for productive environment, data and information as tools of growth in trade and industry, increasing and strengthening cyber security in companies, agile regulation of trade and industry in order to achieve SMEs goals and success through digital transformation.

- **Financial System:**

  Financial system could be an opportunity for SMEs growth as well as significant risk for their development. Therefore, proper financial system is needed for successful businesses.
  
  Danish financial system is in a way that larger firms benefit more from financial condition. It means that financial system is better for larger companies than SMEs. So, it has been tried that financial system alter in order to be more sufficient for SMEs. Increasing loan through
SMEs is an evidence related to improving financial system for small and medium enterprises.

These are the main strategies utilized by Danish SMEs to deal with their challenges and improve their functions.

These three countries develop economic sustainability as well as high quality of life and wealth. As SMEs are backbone of each country, SMEs play crucial role in achieving these goals. Therefore, strategies and policies used by them could be kind of solutions and strategies for other countries especially low sustainable countries to improve their SMEs performances. Besides of techniques and suggested solutions, strategies and policies of these countries are tools to achieve successful SMEs with high efficiency and productivity.

The below table presents a summary concerned on these three case studies:

<table>
<thead>
<tr>
<th>Country</th>
<th>SMEs Definition</th>
<th>SMEs Statics (2017)</th>
<th>Key Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Firms with less than 500 employees and 50 million annual turnover.</td>
<td>99.5% of firms</td>
<td>• Access to Finance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>63.2 % of jobs</td>
<td>• Educational System</td>
</tr>
<tr>
<td></td>
<td></td>
<td>54% value added</td>
<td>• Industrial Clusters and Global Value Chain</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Social Capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Strategies such as innovation, Industrie 4</td>
</tr>
<tr>
<td>U.K.</td>
<td>Firms with less than 250 employees and a turnover of less than €50 million</td>
<td>99.9% of firms</td>
<td>• Proper Leadership, Management and Digital Skills</td>
</tr>
<tr>
<td></td>
<td></td>
<td>60% of jobs</td>
<td>• Scale Up</td>
</tr>
<tr>
<td></td>
<td></td>
<td>52% value added</td>
<td>• SME Access to Support</td>
</tr>
<tr>
<td>Denmark</td>
<td>Firms with less than 250 employees</td>
<td>99.7% of firms</td>
<td>• Time</td>
</tr>
<tr>
<td></td>
<td></td>
<td>64.1 % of jobs</td>
<td>• Government Support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>60% value added</td>
<td>• High Technologies and Digitalization</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Financial System</td>
</tr>
</tbody>
</table>

Table 5: German, UK and Danish SMEs
(Hamid Doost Mohammadian and Rezaie, 2019)
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Prof. Dr. Dr. h.c. Hamid Doost Mohammadian is an expert for International Sustainability Management and Futurist. He is Director for International Management at the FHM - University of Applied Sciences in Germany which focuses on Small Medium-Sized Enterprises (SMEs). His fields are Blue-Green Digital Innovative Sustainability, IoT, CSR, and Cultural Dimension with an Engineering background. He has been a Visiting Professor at the American Institute for Cultural Diplomacy (ICD) Berlin, TU-Campus EUREF Campus at Technische Universität Berlin (TU Berlin), in Germany, Lon-don Institute of Skills Development (LISD), UK, FORUM EXECUTIVE EDUCATION INSTITUTE (WEEI), USA and Visiting Professor at Industrial Management Institute (IMI), Iran. Besides he is a Theorician for the 5th Wave/Tomorrow Age which posits the readiness for the edge of tomorrow & future of business revolution and i-Sustainability Plus Theories which are made of the trinity open innovation, sustainability, and smart high digital technologies and DCT (Doost Cultural Theory) which is about cultural adaptation for businesses. He has invented and introduced some Models and Methods in Hybrid Knowledge like 1) Hybrid SMEs, 2) 7PS (Seven Pillars of Sustainability), 3) SociEcoEnvironment 3D Business, 4) DRM (Doost: Research Meth-odology), 5) D-SDIC (Doost Sustainability Digitalization Impact Comprehensive Plan).

He as a Keynote Speaker, Conference Chairman and Member of Editorial Board at Some High Ranked International Swiss and US Journals has Published Some Articles, Books, and Special Issues with Using his own Theories and Models. He has been holding more than 400 Seminars, webinars, speeches, conference presentations, and workshops in several international companies, events, and panels. Prior to his academic life for 20 years, he has been working as a management consultant for industrial sectors internationally.

Prof. Dr. habil. Dr. h.c. Richard Merk is Head of School of Start-up & Succession of the FHM. In 2000 he has founded the "Fachhochschule des Mittelstands (FHM)" as a German University of Applied Sciences which focuses on Small Medium-Sized Enterprises (SMEs). He is retired CEO and was Prorector for Business and Administration the FHM till December 2018. He was always holding lectures as Professor in Business plan development and Business models, especially for global SME's. He has developed a special Teaching-Module of „Business Plan Development” in that will be taught all students of the FHM - in 20 years till today more than 10,000 students - in innovating found of Start-ups and Company Succession. The amount of the founders out of the FHM is very high. The new fields are "Cyber-Digital-Champions" and the „Construction of Digital Business Models X.0“ with „Future Skills“.

Besides this, he has been external Professor at the other Universities, and he is since 2015 Rector of the University of European Integration (WSIE) in Poland. Since April 2018, he has been Visiting Professor at Industrial Management Institute (IMI), Iran. Prior to his academic life, he has been a management consultant, CEO, and board member in the industrial and “Offensive Mittelstand” foundation in Germany.

Prof. Dr. Dr. h.c. Volker Wittberg is Vice-President for Research and Development at University of Applied Sciences - Fachhochschule des Mittelstands (FHM) Germany. His resort is one of the biggest research-institutes at private University in Germany. For almost 20 years he has been Professor for SME Management and focuses on Global SMEs, Sustainability, and regulatory cost assessment. Besides this, he has been external Professor at two British Universities and Visiting Professor at Industrial Management Institute (IMI). Prior to his academic life, he has been a management consultant in the industrial SME sector. He has been establishing the first post-doctoral joint program in Global SME Management from the University of Gloucestershire, the UK, and the University of Worcester, the UK, in cooperation between Fachhochschule des Mittelstands (FHM), in Germany and Industrial Management Institute (IMI).