

Methodological Approaches to Strategic Management of Small and Medium-sized Businesses in the Context of the Negative Impact and Continuing Nature of the COVID-19 Pandemic

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Abstract: The COVID-19 pandemic is a protracted process that has a negative impact on the development of the world economic system and all its constituent elements. A high level of such influence is observed in small and medium-sized businesses, which, due to their distinctive features, are most susceptible to the influence of external factors. Changing the priority of buyers, shifts towards essential goods and the use of digital technologies, a decrease in the purchasing power of the population, the need for flexible pricing and cost management as living conditions, predetermine the need to adapt strategic management, which is often denied by the founders and leaders of small and medium-sized enterprises. Methodological support of strategic management of the SME sector acquires scientific and practical value when using non-formalized approaches based on expert assessments for a long time lag. The purpose of the study is to develop and substantiate the methodological support of strategic management of SMEs in the context of COVID-19, achieved by solving such problems as: identification of key success factors (KSF) of SMEs; modification of the methodological support of PESTEL - analysis of environmental factors; adaptation to the conditions of SME functioning, methodological support, analytical tools, M. Porter's five competitive forces. Approbation (testing) of methodological support allows it to be extrapolated to the practice of strategic management of SMEs in Russia.

1 INTRODUCTION

Small and medium-sized businesses (SMEs) are highly appreciated by the world community due to its functional role and load in ensuring the development of the world and national economies in the format of sustainable socio-economic development.

At the end of 2020, the UN published an analytical review, according to which about 90 % of all economic entities in the world belong to the category of micro, small and medium-sized enterprises, in which up to 70 % of the entire working-age population is involved, and the contribution to the formation of world GDP exceeds 50 %.


To give a higher status to the system of "small and medium-sized enterprises", June 27, 2017 by the Resolution of the UN General Assembly was


proclaimed as the Day of Micro, Small and Medium Enterprises.

Subjects of SMEs have a wide range of distinctive features that make it possible to identify their totality as an open, active, flexible and adaptive system, which is a subsystem (or a meso-level system) in relation to the systems of the regional economy and the national economy.

One of the distinguishing features of SMEs is its high dependence on the external environment (an entrepreneur becomes such if he/she is able to meet the rapidly changing needs of the external environment) and this circumstance makes him/her most vulnerable to the negative impact of the COVID-19 pandemic.

A significant reduction in market demand and a change in its needs negatively affected the overall business sector in Russia, but this was most

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pronounced in SMEs, which in 2020 are characterized by a significant decrease in the share of participation in the formation of the country's GDP (up to 18 %), capital turnover (proceeds from sales) and other qualitative and quantitative indicators of activity.

Both in the world economy and in Russia, almost half of SMEs are engaged in three types of economic activity:

- retail;
- services sector;
- construction.

These are the sectors of the national economy most vulnerable to the negative impact of COVID-19. There are not only threats of deterioration in the values of qualitative and quantitative indicators of SME activity, but also threats to its economic security and the implementation of its strategic goals in the socio-economic development of Russia - the formation of a competitive environment in the national economy.

Wherein, medical experts note that COVID-19 will not disappear from people's lives for many years to come, and State Duma Deputy A. Fairakhov believes that this infection will always coexist with people, having a seasonal character, and Honored Doctor of Russia T. Kusaiko notes that the coronavirus will remain, its mutation will always be, and we see how quickly it happens.

In this situation, which has a high probability of further continuation, it is necessary to adapt all elements of the national economy system and, above all, the element most susceptible to negative impact - SMEs in the interests of life support, solving the stated goals and objectives.

Adaptation is achieved by effective management measures, primarily at the strategic level with the development of possible scenarios and models.

The purpose of the study is to develop and substantiate methodological approaches to the strategic management of small and medium-sized businesses in the face of the negative impact and the continuing nature of the COVID-19 pandemic.

To achieve the stated goal, the following tasks were solved:

- to identify the key success factors (KSF) of SMEs in the context of the long-term nature of COVID-19;
- to modify and test the methodological support of PESTEL – analysis of environmental factors of SMEs in Russia in the conditions of the long-term nature of COVID-19;
- to adapt to the conditions of functioning of small and medium-sized businesses with the long-term nature of COVID-19, the methodological support of

analytical tools of M. Porter's five competitive forces.

2 STUDY METHODS

There are many strategic management models competitive advantages, differentiation, vertical integration, etc., but a number of models were specially developed for SMEs. Linneman Strategic Management Models for SMEs; Green and Jones, Shuman and Seeger, Aram and Cowan, Foster, Berry, Beal have one foundation, are based on the same concepts, they contain a search for opportunities to adapt to constantly changing business conditions in small organizational and economic forms of management, and the authors note that the strategic management process shall consist of four stages:

- thorough study (scanning) of the environment;
- strategy formulation;
- implementation of the strategy;
- evaluation and control (Kusajko, Fattahov, 2021).

Scanning is the collection and study of information about the factors of the external and internal environment, identification of strategic factors that determine the future. The simplest and most reliable way to perform a scan is SWOT analysis, an abbreviation of which was first voiced in 1963 by Harvard Business School professor C.R. Andrews, who holds that the assessment of internal strengths and weaknesses leads to the identification of distinctive competencies, and the assessment of threats and the capabilities of the external environment allows to identify potential success factors (Houmvud, Endryus, 2021).

To assess (understand) the strengths and weaknesses in the long-term nature of COVID-19 and its negative impact on the development of SMEs, the authors propose to modify the KSF (Key Success Factors) toolkit, representing characteristics, indicators and circumstances that, with proper attention and management have a significant impact on the success of an organization in a competitive environment in a particular industry segment (Endryus, 1981).

The key questions that need to be answered when performing a research in the KSF format are:

- firstly, what are the needs of clients and what they want to receive from SMEs;
- secondly, what resources are needed for SMEs in order not only to survive, but also to maintain a certain position in the competition.

In order to get an answer to the first question, the

authors shall be positioned as a buyer, which allowed them to formulate criteria for the attractiveness of a purchased product (product, service, work) (Table 1).

The results obtained in the process of KSF research are reflected in the understanding of the strengths (S) and weaknesses (W) of SMEs, reflected in the SWOT analysis matrix. In addition to the strengths and weaknesses, the SWOT-analysis matrix is supplemented by the results of the study of opportunities and threats carried out using the PEST (EL) – analysis and analysis of M. Porter's Five Forces (Bushar, K., Koh, Dzh., 2012).

The abbreviation PESTEL corresponds to the first letters of the main external factors that require assessment:

- Political;
- Economic;
- Social;
- Technological;
- Environmental;
- Legal.

In carrying out the PESTEL analysis of SMEs (Table 2), the authors used the following markers:

- N - currently affecting, the probability of the influence ending within 12 months;
- NB - is currently in effect and will continue to have an impact for more than 12 months;
- VPZ is not currently affected, but will have an impact in the future.
- VUZ - affects short-term (period up to 6 months);
- P - has a positive effect;
- O - negatively affects;
- N - does not have a significant effect;
- CF - critical factors;
- OWF - very important factors;
- VF - important factors;
- SF - significant factors;
- NF - not important factors;
- VR - affects and will increase the impact;
- VP - affects without changing the significance (with constant significance);
- NU - affects, but will reduce the impact.

The analysis of the five competitive forces of M. Porter is an analytical toolkit that allows you to explore the external microenvironment and outline an

Table 1: Identification of key success factors (KSF) of SMEs in the long-term nature of COVID-19.

Buyer inquiries (what do customers want?)	How SMEs survive in the competition (need for resources)	Key Success Factors (KSF)
Retail: - convenience and availability; - flexibility of pricing; - value of goods; - essential goods and, first of all, food group and medicines. Service sector: - convenience and accessibility; - price and value of the service; - digital interaction: online and offline. Construction: - flexibility of pricing; - the possibility of mortgage lending; - quality of construction and repair work.	Required internal potential: - development of human capital; - activation of innovative processes in the search for new products and technologies; - development of strategic thinking and introduction to the practice of strategic analysis and strategic planning management. Required potential generated by the external environment: - tax aspects (introduction of a number of targeted benefits); - property aspects (minimization of lease payments, wide involvement of government contracts in the implementation); - administrative aspects (first of all, measures to preserve workers, simplification of administrative regulations during interaction); - financial and credit aspects (providing loans both during the pandemic and during the recovery period; reducing the cost of settlement and cash services to banks, etc.); - ecological aspects (revision of the norms and standards that determine the size of the payment); - social aspects (wider involvement in social projects and programs, contributing, inter alia, to the development of social entrepreneurship); - educational aspects (development of the continuing education system in accounting, tax aspects, financial and strategic management in SMEs); - accounting aspects (expanding the list of FSBU and PBU, securing a simplified accounting method or exempting certain methodological requirements from execution).	A high degree of readiness for innovations, innovative processes, product (work, service) updates. A high degree of flexibility in relationships with real, potential and latent buyers. Flexibility and differentiated pricing. Possibility of prompt decision-making. Readiness for innovation and widespread use of digital technologies and tools.

Table 2: Assessment of the factors of the external environment for the development of SMEs in Russia in the context of the long-term nature of COVID-19 using the PESTEL analysis toolkit.

Environmental factors	Time influence characteristic	Characterization of influence by type	Characteristic of influence on dynamics	Relative significance of the factor	Impact on SMEs in the Long Term Nature of COVID-19
P. Political: - changing the political situation in the country	VPZ	P	VR	OWF	The degree of influence is high and will grow
E. Economic: - the rate of inflation; - effective demand of the population; - access to raw materials markets; - access to financial markets; - the need for re-profiling and shifts in the product range	NB	O	VR	OWF	The impact is high, negative and will grow
S. Sociocultural: - readiness to implement social projects - participation in the medical provision of the population - level of social protection	VPZ	P	VR	SF	The degree of influence is moderate, but has a positive character with the possibility of entering new market segments, thereby reducing the level of social tension
T. Technological: - participation in government programs to support technological re-equipment; - renewal of equipment and technologies	NB	O	VR	OWF	The impact is high, negative and will grow
E. Environmental: - introduction of environmental management; - ecological payments; - "green" technologies	VPZ	N	VP	SF	The degree of influence is insignificant, but will increase
L. Legal : - development of the legal framework in the field of SMEs; - development of administrative regulations for support	NB	P	NU	SF	The degree of influence is moderate and will decline

action plan (strategy, programs) with the maximum use of competitive advantages.

Within the framework of this toolkit, five such competitive forces are subject to assessment (analysis), such as:

- intra-industry competition;
- the threat of the emergence of new players on the market;
- the market power of buyers;
- the market power of suppliers;
- the threat of the appearance of substitute goods.

These five forces determine the attractiveness of a particular industry for a particular entrepreneur, but in this study, the authors consider only the three most

attractive spheres of the economy for SMEs (retail trade, services and construction).

For a qualitative and quantitative assessment of factors, the authors have developed and offer the following scale of assessment points (Table 3).

Table 3: Scale of assessment of indicator questions reflecting the five competitive forces of SMEs in Russia in the context of the long-term nature of COVID-19.

The degree of influence of the competitive force	Points
1. Degree of influence is extremely low	1
2. Degree of influence is low	3
3. Increased degree of influence	5
4. High degree of influence	8
5. Very high degree of influence	10

Table 4: Indicator questions for analyzing the degree of dependence of Russian SMEs on the competitive forces of M. Porter in the context of the long-term nature of COVID-19.

Competitive strength	Industry segment	Indicator questions
Intra-industry competition	1. Retail 2. Sphere of services 3. Construction	Are there many players operating in the industry market? What is the structure of the industry market. What are the prospects for the development of the industry segment. What are the advantages of competitors.
The threat of the emergence of new players on the market	1. Retail 2. Sphere of services 3. Construction	Are there any restrictions on the entry into the industry market of new players who could potentially be competitors? How difficult is it to enter the distribution channels. How much will be required for new technologies. How large can be costly “switches” to a new product.
Market power of buyers	1. Retail 2. Sphere of services 3. Construction	The industry market is represented by large and small buyers. Can buyers dictate their terms of purchase and to what extent? What share of the industry market is occupied by large businesses and leading companies (excluding SMEs).
Bargaining power of suppliers	1. Retail 2. Sphere of services 3. Construction	To what extent are relationships with suppliers developed and what character they are? Is it possible to change the supplier with minimal costs. How flexible is the pricing and sales policy of suppliers.
Threat of substitute products	1. Retail 2. Sphere of services 3. Construction	How easy it is to replace the offered product. Whether the substitute is capable of replacing the offered product in whole or in part.

When developing indicator questions, the authors used the results of many years of expert research conducted personally and with the involvement of managers, specialists and founders of small and medium-sized enterprises, as well as individual entrepreneurs (Table 4).

The authors considered large businesses operating in similar industry segments as the closest competitors of the external microenvironment of SMEs. In the process of testing the developed methodological support, the following results were obtained (Table 5).

Table 5: Results of the analysis of M. Porter's five forces for SMEs in Russia in the context of the long-term nature of COVID-19.

Competitive strength	Industry segment	Evaluation points
Intra-industry competition	1. Retail	8
	2. Sphere of services	5
	3. Construction	3
The threat of the emergence of new players on the market	1. Retail	10
	2. Sphere of services	5
	3. Construction	1
Market power of buyers	1. Retail	8
	2. Sphere of services	5
	3. Construction	5
Bargaining power of suppliers	1. Retail	5
	2. Sphere of services	5
	3. Construction	3

Threat of substitute products	1. Retail	8
	2. Sphere of services	5
	3. Construction	3
TOTAL NUMBER OF POINTS	1. Retail	39
	2. Sphere of services	25
	3. Construction	15

3 STUDY RESULTS

Based on the results of the study conducted by the authors using the methodological support developed by them for the strategic management of SMEs in Russia in the long-term nature of COVID-19, conclusions were drawn that allow the development and implementation of well-grounded management decisions.

Therefore, use of the modified methodological support of PESTEL - analysis of environmental factors of SMEs in Russia in the conditions of the long-term nature of COVID-19, made it possible to reveal that:

- in terms of time, the main factors influencing SMEs have not been fully implemented, but they are capable of having an impact in the future time period (VPZ);

- the current changes in their majority can have a positive impact on development of the system of small and medium-sized businesses;

- according to their importance, the factors were distributed between "very important factors" and "significant factors";

- the external environment, having a certain negative impact on the state and dynamics of development of SMEs, does not form criticality for the system and predetermines the need for its adaptation and flexible response to changes in both market demand and economic opportunities.

The results of the analysis of the degree of dependence of Russian SMEs on the competitive forces of M. Porter in the conditions of the long-term nature of COVID-19 allow us to state that the highest level of competition is observed in the retail trade, and the lowest - in the construction sector.

The strategy for the development of small and medium-sized businesses in the Russian Federation for the period up to 2030 provides for three stages of its implementation: the first stage - 2016-2018, the second stage - 2019-2025 and the third stage - 2026-2030.

The second stage provides for provision of sustainable dynamics of the development of the system of small and medium-sized businesses, ensured by the achieved results of management at the first stage of the strategy implementation.

The negative consequences and long-term nature of COVID-19, along with other factors, do not allow the system of small and medium-sized businesses in Russia to ensure sustainable development dynamics. Wherein, the given trajectory continues to be general and requires adjustments taking into account changes in the external environment.

Strategic approaches require flexible adaptation of the methodological support for the management of small and medium-sized businesses (as a subject and object of management) to those negative consequences that take place and will affect the state, potential and development results in the medium term. Non-formalized methodological approaches to such management are reflected in this article.

4 DISCUSSION OF STUDY RESULTS

The issues of the state and strategy of development of small and medium-sized businesses in Russia receive serious attention both from the scientific community and from the government.

The audit of the ongoing national projects in the field of small and medium-sized businesses, carried out by the Accounts Chamber of Russia, allowed the

supreme body of state financial control not only to state that this segment of the national economy is the most important factor in ensuring socio-economic development, but, despite the difficult situation, this segment held out and did not significantly surrender its positions Porter, M., 2016.

I. Savelyeva and V. Maydanik paid attention to the methodological peculiarities of developing strategies by small innovative enterprises, who noted that a strategy shall be based on the potential of an economic entity and be adapted to rapidly changing environmental factors.

When investigating the problems of managing small and medium-sized businesses, V. Klimova, A. Klimova and S. Chekuldaeva note that the condition for business communication and the standard form of information transfer is business planning, which is so necessary in ensuring the sustainable development of small business (Savel'eva, I.N., Majdanik, V.I., 2016).

K. Kurbanova, T. Zhumadieva and G. Annakulieva pay attention to tax aspects and their penetration into the digital economy in the context of the COVID-19 pandemic, who note that this circumstance affects all sectors of the economy, including small and medium-sized businesses and requires making strategic decisions (Klimova, V., Klimova, A., Ghekuldaeva, S., 2021).

The issues of assessing strategic financial stability using non-formalized methodological support are researched by L. Filobokova, who suggests identifying 5 types of financial condition of small and medium-sized businesses (Kurbanova, K., Zhumadilova, T., Annakulova, G., 2021).

In this article, the authors present the results of a study conducted in the field of methodological support for the strategic management of small and medium-sized enterprises in the context of the negative impact and continuing nature of COVID-19. The presented methodological support is an intermediate result of scientific research. The authors believe that the negative impact and the continuing nature of COVID-19 predetermine the study of their relationship with the economic security of the system of "small and medium-sized enterprises".

5 CONCLUSIONS

The COVID-19 pandemic has entered life, affecting all areas of activity, including entrepreneurship in small and medium-sized businesses. The functioning and development of the "small and medium-sized business" system requires the development and

justification of strategic management decisions, taking into account the distinctive feature of such an external factor. The peculiarities of the system itself predetermine non-formalized methodological approaches in the development of management decisions, which make it possible to neutralize negative consequences and bring the system to the level of sustainable dynamics. These prerequisites determined the purpose of the study carried out by the authors and consisting in the development and substantiation of methodological approaches to the strategic management of small and medium-sized businesses in the face of the negative impact and the continuing nature of the COVID-19 pandemic. The tasks that have been identified to achieve the set goal have been solved. The author's developments have passed practical testing (approbation) and can be used in the practice of strategic management of small and medium-sized businesses.

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