

## **Priorities of Small Business Management**

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### **Abstract**

The economic stabilization of a country in a market economy transition period significantly depends on the society's stability. Small businesses are the basis of today's Georgian economics, but because of unsuitable management, advantages of this form of business organization are not completely realized. Mostly small entrepreneur structures are handled by their owners, but it is not always advisable. Mainly nonhierarchical small business management structures do not give rise to formal relations, what not existence of suitable managing style stipulates inadequate organization behavior, but unorganized management becomes primitive. It is often the reason small business entrepreneurs fail. So, suitable management for small business is as necessary as initial capital, tangible assets and other factors of development. Because of small business managements, un-development increased following negative events: diversification policy directing becomes harder because of little opportunities to overcome the difficulties of entering and leaving from one sector to another, effective inventions attraction opportunities are reduced while groundless business-strategy conditions; bankrupt risk is large because of uncompetitive managerial decisions; the quality of using business consulting is low and it is often used not to make optimal decisions but to documenting already made decisions; business educations system in Georgia can't satisfy the requirements of small business, because neither entrepreneurs have exact formulated demand on managerial education, nor is the active staffers re-training system market adequate. It's clear that solving the aforesaid problems is impossible without concerning consensus achievement of stakeholders and strong will. Most managers and entrepreneurs pay less attention to strategic approaches while managing small business structures.

Managers of small structures are required to be flexible thinkers and dynamic actors in the marketplace, while estimating strategic alternatives for elaborating the most preferable strategy by observation of the environment without complex research. They provide SWOT analyze, estimate competitiveness, foresee opportunities of outsourcing, analyze value chains, plan business operations and project organization process and etc. All of this requires a special style of management, one which must provide small business advantages such as: high maneuvering, flexibility, effective informational-communicative connection, entrepreneur - innovative potential and other. Time budgeting by a manager must include equal expenses for work planning-organizing and control, also motivation and support for employees.

### **მცირე ბიზნესის მენეჯმენტის პრიორიტეტები**

თემურ ხომერიკი  
საქართველოს უნივერსიტეტი

საბაზრო ეკონომიკაზე გარდამავალ პერიოდში მცირე ბიზნესის განვითარება ქვეყნის მდგრადი ეკონომიკური განვითარებისა და სოციალური სტაბილურობის უმთავრესი საყრდენია. მიკრომეწარმეობა ხასიათდება რიგი დადებითი თვისებებით, თუმცა არასათანადო მენეჯმენტის გამო, სრულად ვერ რეალიზდება ბიზნესის ორგანიზაციის ამ ფორმის უპირატესობები. მცირე სამეწარმეო სტრუქტურებს უპირატესად მათი მეპატრონეები მართავენ, რაც ყოველთვის გამართლებული არაა. მცირე ბიზნესის მართვის უპირატესად არაიერარქიული სტრუქტურა იწვევს არაფორმალური ურთიერთობების პრიმატს, რაც შესაბამისი ხელმძღვანელობის სტილის არარსებობისას განაპირობებს არაადექვატურ ორგანიზაციულ ქცევას, ხოლო მენეჯმენტი წარმოებს პრიმიტიული ფორმით. დაუსაბუთებელი ბიზნეს-სტრატეგიების პირობებში შემცირებულია ეფექტიანი ინვესტიციების მოზიდვის შესაძლებლობები. მმართველობითი გადაწყვეტილებე-

ბის არაკომპეტენტურობის გამო დიდია გაკოტრების რისკი. ჯერ კიდევ დაბალია ბიზნეს-კონსალტინგის გამოყენების ხარისხი, ხოლო საქართველოში არსებული ბიზნეს-განათლების სისტემა ვერ აკმაყოფილებს მცირე ბიზნესის მოთხოვნებს. მენეჯერებისა და მეწარმეების უმეტესობა მცირე ბიზნეს-სტრუქტურების მართვისას ნაკლებ ყურადღებას უთმობენ სტრატეგიულ მიდგომებს. მცირე სტრუქტურების მენეჯერებს სტრატეგიული ალტერნატივების შეფასებისას მოეთხოვებათ მოქნილი აზროვნება და ბაზარზე დინამიკური ქმედება, რათა კომპლექსური გამოკვლევების გარეშე გარემოზე დაკვირვებით შეიმუშაონ ყველაზე მისაღები სტრატეგია. ისინი უნდა ატარებდნენ SWOT ანალიზს, კონკურენტუნარიანობის შეფასებას, აუტსორსინგის შესაძლებლობების დაზვერვას, ღირებულებათა ჯაჭვის ანალიზს, ბიზნეს-ოპერაციების დაგეგმვას, ორგანიზაციული პროცესების დაპროექტებას და ა.შ. აღნიშნულის განხორციელებისთვის აუცილებელია ხელმძღვანელობის განსაკუთრებული სტილის გამომუშავება, რომელმაც უნდა უზრუნველყოს მცირე ბიზნესის ისეთი უპირატესობების რეალიზაცია, როგორცაა: მაღალი მანევრულობა, მოქნილობა, ეფექტური ინფორმაციულ-კომუნიკაციური კავშირები, მეწარმულ-ინოვაციური პოტენციალი და სხვ. ხელმძღვანელის დროის ბიუჯეტი კი თანაბრად უნდა ეთმობოდეს როგორც საქმიანობის დაგეგმვა-ორგანიზაციასა და კონტროლს, ასევე თანამშრომლებისადმი დახმარებას და მათ მოტივაციას.

Our society could neither exist as we know it today nor improve, without a steady stream of managers to guide organizations. Peter Drucker emphasized this point when he stated that effective management is probably the main resource for developed countries and the most needed resource for developing ones (Samuel C., & Certo.Trevis , 2006). Experts estimate that small businesses are the main basis for today's Georgian economy, but because of unsuitable management, advantages of this form of business organization

are not completely realized. Mostly, small entrepreneur structures are handled by their owners, but it is not always advisable. Mainly non-hierarchically structured small business management leads to non-formal relations, which by itself, stipulates inadequate organization behavior, as a suitable managing style does not exist, and unorganized management is realized by primitive form. It is often the reason small business entrepreneurs fail. Therefore, suitable management for small business is as necessary as initial capital, tangible assets and other factors of development.

Economical stabilization of the country in a transitional period of market economy significantly depends on the stability of the society. The truth is that in independent Georgia with the help of international organizations, the executive bureaucratic-intellectual elite de jure, established market mechanisms before foundation of private property, but the process of forming the middle stratum of society was very extended and property polarization is more and more noticeable. In spite of small commodities producing expansion, the development of real owners' middle stratum is greatly behind current market reforms' scales. As a result, transformational processes were realized appropriation of economic treasure (wealth) by state bureaucracy, as well political and technocratic-managerial elite using authority, and this assisted Quasi-owners level forming. Their rights to ownership are diffused and periodically, cause a struggle for property redistribution with intensive participation of new political-crates and active managers. Considering these conditions, the creation of a liberal business environment and development of small entrepreneurship is very important for the economically active population in the country.

According to officially declared data, the total circulation of small enterprises composes 7.4 percent of the business-sector's entire circulation, and total output - 6.9 percent of the business-sector total output. Total employment in small enterprises makes up 19.5 percent of total employment

in the business sector, in which 43.3 percent are women, and 56.7 percent are men.

Different sectors, according to the variety of activities in small enterprises, circulation has the following shares: trade; vehicle maintenance, and repair of personal items - 54.3 percent, processing industry - 14.1 percent, operations by real estate, lease and consumer service - 9.2 percent, hotels and restaurants - 6.4 percent, transport and communication - 5.9 percent and others.

According to the variety of activities in small enterprises the outputs prevailed in the following sequence: processing industry - 26.0 percent, trade; car maintenance and repair of personal items - 18.4 percent, operations by real estate, lease and consumer service - 16.9 percent, hotels and restaurants - 6.4 percent, construction - 8.8 percent.

According to the variety of activities in small enterprise the population is occupied with the following order: Trade, vehicle maintenance and repair of personal items - 30.7 percent, processing industry - 18.0 percent, operations by real estate, lease and consumer service - 13.8 percent, hotels and restaurants - 9.2 percent, transport and communication - 6.6 percent.

Total employment distribution in small enterprise by regions is characterized by following structure: Tbilisi - 42.2; Imereti - 14.4; Kvemo Kartli - 9.0; Adjara - 8.1; Samegrelo - Zemo Svaneti - 8.1; Guria - 1.9 and etc.

At present, small and medium enterprise support systems are not formally functioning and government based influence is insignificant for this type of business activity. According to Georgian law, "Support of small and medium enterprises," after changes and additions were made in the law on "National Agency of Georgia" it was determined that: According to Georgian law on "entrepreneurs," small and medium enterprises located in Georgian territory include all organizational/legal forms of enterprises in which the annual average number of employees is not more than 20 and annu-

al circulation is not more than 500,000 GEL; enterprises won't be considered small or medium if more than 25 percent of its equity fund is owned by individual/individuals who do not meet the requirements of the law about small and medium enterprises; it's main activity is banking, insurance and other types of financial services.

In the conditions of growing unemployment (employees released from the state agencies, also people were rified because of the restructure and reorganization of different organizations and enterprises, restriction of self-employed poor stratum's business activity because of crisis - ridden appearances) and poverty, it is important to support small enterprises formation and their business activity. Positive influence of possible changes (establish accelerated amortization regime, make small landowners' free from taxes, release from taxes those entrepreneurs who do not use hired workers, provide tax amnesty, liberalize registration of enterprise units and taxation regime and etc.) in Georgian tax code at posterior legalization and growth of small entrepreneur income is important. Though privileges implemented until today were about micro enterprises and at present they are canceled. In action is only Privilege determined by tax code at same types of entrepreneur who do not use hired labor and the industrial space used by them doesn't exceed determined small utmost index.

In economic practice, micro enterprises include: enterprises formed by legal individual also individuals by themselves (individual entrepreneurs, self-employees, domestic workers and etc.), family enterprises and farming, where number of employees are not more than 10 people, and necessary capital investment is - US\$ 25000. Parameters of micro enterprises need further definition on legislative level, as 80 percent of the population are employed or self-employed in these enterprises, and in the case of establishing privileges for them without suitable criteria, identification would become difficult. In spite of this, micro enterprises use

low-productivity technologies and prefer extensive methods of production development. Micro entrepreneurship is characterized with some positive features: existence opportunities in conditions of minimum resources and organizational expenses; using family members and relatives as labor, which makes easier to organize work and provide backgrounds for success; close connections with consumers and orientation to satisfy narrow circle requirement of concrete consumer, narrow specialization of production and services, ability for self-education and self-management. For micro enterprises, mobility is typical; their social significance is important for the process of creating new work places and using existing potential effectively. Often, men create micro enterprises not only for economic purpose but for moral principles. Herewith small entrepreneurship means incomplete workday employment and self - employment to provide additional income for domestic economy.

According to international statistics, annually the number of officially registered micro enterprises is more than 500 million. Millions of micro enterprises are closed or transformed into medium business category after expansion even more micro enterprises start functioning. People employed in micro enterprises provide income for the family (micro entrepreneurs' additional source of income is also social aids, incomes from personal plots, assistance given by relatives, salaries and money transfers received from other activities).

According to research by USAID, there are about 210 thousand micro enterprises in Georgia and only half of them are officially registered. Many micro enterprises are gathered in Tbilisi. A small number of them are registered in Mtskheta - Mtianeti and Samtskhe - Javakheti regions. Between other regions, the most micro enterprises operate in Adjara, Samegrelo and Imereti. The most registered micro enterprises operate in trade sector and nearly one-third - rural economy, in service and production more than 10 percent. In the industrial sector furniture workshop, carpenters workshops,

mills, productions of food products, bakeries, and bread baking enterprises dominate. Agricultural enterprises operate most often seasonally. Most rural economy enterprises include: farming, fruit production, also objects of their activity is beekeeping, wine making and crop cultivation. As for the service sector the most developed ones are food providing places like restaurants, cafes and etc.; also beauty saloons, domestic service (shoes repair, vehicle repair and etc.), communication service share also is very important.

Georgian markets assimilated by small enterprises are characterized by high competitiveness, which demands available information about market conjuncture and effectiveness of self management. As a rule, value of their initial capital is small, so it is very important to use loans and credits to satisfy financial requirements. For development in this sector, technical aid is as important as financial (consulting, trainings for improving professional skills and etc.). Current infrastructure cannot provide effective support to small businesses that makes it even more difficult for small enterprises to find their own shelter. Consequently every small business-structure has to go through one and the same difficulties:

◀ Imperfection in estimation of markets because of limited information. Small entrepreneurs have difficulties in finding their places in the market because they do not have suitable information, unforeseen loses are frequent and casual factor effect is high. It is necessary to utilize special programs designed by the state and foreign donor countries in order to provide access to contemporary information technologies for this layer of entrepreneurs.

◀ Lack of motivation during the transition from shadow economy into official sector. In order to increase interest of micro enterprises to be officially registered, it is necessary to establish tax privileges and restore confidence towards government, as state programs are usually of declarative character.



◀ Employees in small enterprises often lack skills such as calculation, accountability, elementary basis of marketing, and management. Not having this type of experience, small and medium businesses are hindered and decisions that are made by them are characterized with incompetence which often leads to the dissatisfaction of the clients.

◀ For most micro enterprises, profitable loans and credits are basically inaccessible. Many micro enterprises are compelled not to care about saving but to spend their money economically for family needs because of their small income (by estimation of experts their average annual incomes isn't more than US\$ 5000). In this stratum there is noticeable surplus of fear or risk and non confidence towards financiers, also many of them don't believe that they would be able to cover the credit timely and would lose because of inflation.

Internal reserves still remain main resource for development of micro enterprises but they are not able to replace the role of loans and credits in filling circulating assets. For today the fixed demand of small loans for enterprises is US\$ 200 million more than its supply in Georgia. Georgian, non-banking, micro finance organizations and commercial banks covered only one-third of potential clients, other micro enterprise structures satisfy their demands for financial resources by cash calculation from different sources. Investment activities of small enterprises need encouragement afterwards, including accessibility of micro finances and microfinance organizations. In this case, the role of the non-banking sector and microfinance organizations' is very important, as micro financing gives entrepreneurs the possibility to receive necessary sources via simply documentation and procedure, besides, all of this needs time and is realized by an available regime; it doesn't require expensive methods of guarantees and hard conditions of bailing (insurance uses group guarantees, different forms of warranty, etc.). The creation of credit unions also needs support, as it is mutual aid for juridical and physical persons, regardless of its other positive sides.

Fundamental problems for micro enterprises such as using highly - technological permanent assets are solved successfully by developing liaising relationships, advantages of franchise are also frequently used while organizing small business. Unfortunately, events of venture infestations are still rare. It should be noted that if banking institutions and liaising companies easily collaborate with large and medium enterprises, non-banking financial institutions, state programs and unions still remain a main source for small and micro enterprise financing. To overcome this, it is necessary to install a solid gear of small entrepreneurs' financial-credit risk guarantees. The National Bank of Georgia needs to establish a new policy in order to make credits for small businesses less expensive and affordable.

Development of small - enterprises is unimaginable without support of the investors participating in project for these entrepreneurs. Micro financing gives micro-enterprises the opportunity to adapt environment factors and to solve inevitable economic tasks for effective performance: to fulfill circulating capital, to form permanent assets, to create credit history for attracting of next investment resources and etc. Together with the aforesaid social effects on the economic environment is an effective instrument for the fight against poverty and unemployment, a tool of business decriminalization, material background for entrepreneur activity and the survival of the socially unprotected stratum of people. Banking micro credit is too expensive and relatively hard to get. Micro loans received from micro financing organizations are very important for small enterprises.

Financial - credit gear of micro structure is considered mutual-related and mutual - stipulated. In this transitional period to a market economy, there were new gears formed for redistributing capital and new financial relations, developing structures which carry out finance redistribution in security and cash capital markets. The role of banking as well as financial institutions appeared to be most important in this rela-

tionship. Defining from commercial banks whose main object is to get profit, microfinance institutions with their status are non-profit organizations and they carry out entrepreneur activity as much as it serves to gain their project goals. Programs sponsored by them make for it's aim social mobilization of populations' separate stratum (for instance, women's, temporarily unemployed, agriculture cooperatives and etc.), also development of small so called “business-incubators” with the support of small business.

Millions of people all over the world use services of microfinance institutions which have nearly thirty years of history and are spread throughout developed and developing countries. The strategy of financing micro-enterprises has been changed and instead of experimental programs, orientation is for more non-deficient (paying) and professional programs. The role of international organizations (USAID, the World Bank, European bank, Eurasia found and etc.) and governments of foreign countries (USA, Canada, Netherlands and etc.) is very important in the development of micro-finance services of Georgia.

Credit - financial and investment support of small business is realized in different ways:

- < Financial liaising and franchising;
- < By mutual support of small structures and by forming credit unions and other self-financing systems;
- < Micro-crediting;
- < State guarantee gears of loans;
- < Development of venture investment funds
- < By other forms.

Microfinance organizations have been in Georgia since 1997, but the first credit union was created in 2002. They do a bit for employment of poor and not very profitable social groups by giving them individual and group loans. At the beginning of 2007, approximately 13 organizations carried out microfinance activities officially, a great part of which was founded by financial aid from foreign donor organizations.

Their loan portfolio is about 51 million GEL and 43 thousand debtors, basically self-employed, develops their business using micro-loans. Laws for microfinance organizations were enforced only in July 2006, and before that, their activity was regulated by entrepreneur legislation, civil code and law on non-banking depository institutions - credit unions. The microfinance sector existed as non-governmental (nonprofit) organizations, funds and unions.

According to new legislation, a microfinance organization is founded by a juridical person (individual) as limited responsibility or A/S organizational-legal form which is registered with the National Bank of Georgia and is working under its' supervision. As defined by law, for creating a microfinance organization, money fee (payment) in working capital can't be less than 25,000 GEL and maximum total amount of micro-credit given to each debtor can't be more than 50,000 GEL. Micro-credit is defined as an amount of money given to a debtor or group of debtors for a certain period of time, to be returned, and to determine the objective of the debt, which is mentioned in a credit agreement by microfinance organizations. Microfinance organizations are prohibited to receive deposits from physical, as well as from juridical persons. Microfinance groups have the authority to realize only the following activities:

- < Give micro-loans, including consumer, hock, mortgage, non-guaranteed, group and other loans (credits) to juridical and physical persons.
- < Invest in state and public stocks.
- < Fulfill money transfer operations.
- < Implement function of insurance agent
- < Consulting related with micro-credits
- < Get loans from resident and non-resident juridical and physical persons
- < Own shares of juridical persons' working capital (its total value shouldn't be more than 15 % of organization working capital)

< Other financial services and operations determined by Georgian legislation (micro-liasing, factoring, currency exchange, establishment-realization of bonds and other operations related with them).

The terms and conditions of giving loans and the rights and duties of debtors and loaners are regulated by legislation. Releasing micro-loans is confirmed by the credit agreements, but rules and conditions of releasing loans are ascertained by the microfinance organization, here also is determined the value of interest rate, service payment and others. A loan can be individual or group, guaranteed or non-guaranteed. Microfinance organizations can monitor advisability of the loan and is obliged to keep confidentiality. The law also determines rules of creation and competence of microfinance organizations' administration organs, also organization directors' rights and duties.

Establishing microfinance organizations' regulatory norms active legislation on non-banking depository institutions - credit unions-since 2002 haven't lost their actuality. Credit unions acting as registrant enterprises of cooperative organizational-legal form, who receive deposits only from their members, releasing loans to them; fulfill permitting banking operations and their main goals are not for profit.

Small enterprises may create unions and funds to solve problems with private enterprising state support and development. It's true that small enterprises use privileges defined by Georgian legislation, but this question needs a more complex and systematic method of approach. It's clear that for the future development of this business form, micro-financing and effective performance of microfinance organizations has great meaning, what requires changes in such legislative acts as: Tax Code of Georgia, Civil Code, Law on Entrepreneur, Organic Law on NBG, Law on Commercial Bank Activity, Law on Non-Banking Depository Institutions - Credit Unions and others. It is necessary to maintain entrepreneurship supported micro-creditor organizations and state support, and also

make more active collaborations with donor organizations and international financial institutions; coordination strengthens this form of activity development. Micro-financing moves entrepreneurs' transmitting from shadow economy into legal business, increasing of country tax incomes, and future movements towards banking credit for small entrepreneurs using micro-credit. Inculcation of banking credit interest rate subsidizing and credit guarantee programs will much more hasten positive results. Regulatory norms of the financial-banking sector cannot completely reflect originality of micro-financing and is non-adequate of economy practice, working standards need to be detailed and controlling norms of this sphere must be improved, concentration and security limits of risks must be determined, tax and civil codes must more stimulate development of microfinance institutions. Interest rate issue should be regulated, besides flexibility of operational politics should not be limited. State financial role in supporting of micro-finance sector isn't clear, starting with micro-loans releasing, finishing with forming sources of non-profit microfinance organizations by received incomes (returns), financial source circulation for regulation of created relationships needs strictly defined juridical frames.

According to research on bounds of small and medium business support project, most small entrepreneurs believe that among hindrance factors of development (less accessibility at finances, non-perfection of legislative base, insufficient knowledge in management and non-existence of business strategy) the main is non-correspondent capacity of business leading. Originality of small enterprises management is determined by such factors as: size of enterprise, sphere of activity, number of employees, organizational-legal form, characteristics of product and service, organizational structure of management and etc.

In Georgia, successful micro-enterprises often fall into crisis because of the complexity of tax, custom and other regulatory legislation and the low professionalism level of small

entrepreneurs, and once again it is confirmed that value creating strategy is not enough, if it is not coordinated by a professional manager. The main criteria for this type of managers' work estimation, are how much they maintain effective performance of small enterprising structures and rise competitiveness among them. Nowadays most self-entrepreneurs use managerial consulting and/or develop qualification themselves in financing, logistic, human resource management, marketing, management and etc.

Observation of small enterprises showed that while business extension owners immediately create team of managers, organizational structure and delegate responsibilities. Henry Mintzberg concluded, that what managers do can best be described by looking at ten different but highly interrelated management roles they use at work. These ten management roles are grouped around interpersonal relationship (figurehead, leader, liaison), the transfer of information (monitor, disseminator, spokesperson), and decision making (entrepreneur, disturbance handler, resource allocator, negotiator). As managers perform these different roles, Mintzberg concluded that their actual work activities involved interacting with others, with the organization itself, and with the context outside the organization. He also proposed that as managers perform these roles, their activities include reflection (thoughtful thinking) an action (practical doing) (Robbins, P., & Coulter, 2007). Although the relationship between manager and submitters in small enterprises is immediate, and small business provides definite standards for managers: authority and influence of managers is directly connected to its professionalism and personal features; because of small numbers, managers must constantly keep in touch with employees and must manage team relationships as opposed to individuals; manager has to direct study of submitters and development of their creative skills; manager should strengthen organizational unity and react quickly to environmental changes. For this to happen, a special style of management is necessary,

which must provide small businesses with advantages such as: high maneuvering, flexibility, effective informational - communicative connection, and entrepreneur - innovative potential and other. Managers must budget their time and spend equally on work planning-organizing and control, as well as motivating and supporting employees.

Because of small business variety, acting managers are equally presented in the role of democrat, dictator, pessimist-liberal and manipulators, but for the role of a leader-an organizer is always preferred, who gives equal meaning to human relation and job fulfilling, with what helps to realize (accomplish) team management. Managing finance and marketing is a basic problem for small business management because, as a rule, in these types of structures much attention is not paid to documentation; double accounting, inadequate interpretation because of low qualification of hired specialist and personal opinions, because of the difficulty of research and calculations, making groundless decisions based on intuition is frequent.

As business-practice shows, in small structures managers unmannerly realize functions delegated to submitters or delay from delegation. It is evident that this action gives one-shot effect, but it's better to be obliged concrete tasks to submitters and at the same time execute their teaching. In scanty organizations, authority hierarchy is determined by staff, as the conditions of the immediate relation situation leaders appear rapidly, who are easily demonstrating their influence and gain to ignore nominal managers. It should be determined, that owner entrepreneurs actively and frequently incompetently intervene in managers' working process, for most of them, the small business structure is a realization of creative ideas, self-expression, and self-realization.

Most managers and entrepreneurs pay less attention to strategic approaches while managing small business structures. Many implement business projection just to attract additional investments. The necessity of strategy depends on



the business style, dynamic of sector development, stability of environment and so on. Most entrepreneurs are energy, aimed, dedicated to solving challenges, self-confident, and think that hired management and consultants help them to realize concrete tasks and often they aren't able to recognize the necessity of drawing a boundary between operative and strategic activities.

Strategic approach is future oriented and means changeability of environment, research scales and speeds of changes, while it tries to predict expectable results. Strategic management is a complex combination of decisions and activities, directed to formulate and inculcation strategy and realization goals. The strategy is based on concrete activities that allow organizational management to encourage effective performance. So, strategy is the managing plan, aiming for strengthening an organization's position, satisfying client's demand and achieving high results.

For every kind of business the question arises: what place must it take after changes, for future amendments to be used prosperity? For this it is necessary to find means and elaborate strategies, by managing them to gain organizational goals and tasks. The main organization strategy is a plan of activities allowing organization to achieve long term goals. There are three kinds of strategies: strategy of growth, strategy of stabilization and strategy of economy. Strategies of organization global activity are determined separately. Analyzing their components is based on financial parameters and product consumption characteristic (expenses and prices, liabilities and profit, assets and reserves, commodity turnover and consumer choice, privilege and guarantees, information and so on). In business strategy they are reflected as commodity, pricing, commodity, distribute-services, advertising and stimulation politics. Between business-strategy bounds must be paid attention satisfaction of consumers demand. Trade mark commodity price, level of exploitation expenses and guarantee service are important for them.

Managers of small structures require flexible thinking and dynamic action on the market while estimating strategic alternatives for elaborating the most preferable strategy by observation of environment without complex research. They provide SWOT analyze, estimate competitiveness, foresee opportunity of outsourcing, analyze of value chain, plan business operations, project organization process and etc. Development of small business is often influenced by such factors as: owners and managers generation change, resistance against organizational change for keeping traditional relationship in turbulent environmental conditions; un-development of organizational culture, non-adequacy of organizational leading, when small entrepreneurs don't pay attention to competitors of their same range while competing with large business structures. Managers determine whether organization must have a specific sphere of activity or it must implement same activity as competitors with necessary corrective amendments. Here, every organization chooses the most effective type of activity and determines strategy advantages of organization. According to Porter, differences among competitor value chains are a key source of competitive advantage (Birley, 1998).

Priorities of business development in contemporary conditions are the following: adequate react on business-environment transformation, increase regional market role in globalization conditions, reduction of commodity vital cycle, increase innovation role and etc. Globalization and newest informational technologies bring new opportunities for production expansion. The development of contemporary internet technologies make more and more opportunities for solo-professionals, making offices at their homes and often handling virtual companies in such way. Different from ordinary small business, online business requires solid initial capital investment for creating correspondence technological infrastructure and excluding producing failure, as clients give no possibility to correct it even just a little hinder as a rule provoke to lose obtained segment.

For small entrepreneurs internet network often brings a strategy advantage: it makes it easy to expand active business and possibilities to enter a market; opens wide possibilities for collaborating with business structures and partnership with any interested person; provides the realization of possibilities for small business adaptation towards market. The development of online commerce and high-technological fields changed international market conjuncture. Effective realization of market strategy basically depends on the value of adaptation to environment. Besides specialization and effectiveness, mobility and risking, organizing and mobilization of reserves still remain the most important factors for business development. Entrepreneurs provide arrangements for increasing productivity and competitiveness improve production technologies and working quality, inculcate “know-how” and etc. for making their business more effective.

Active paradigms and conception methods of approach of management have great influence on small business management. In literature system, new views of management are named an “administrating evolution”, because their basic are not aiming blindly destruction of formed structures, systems and methods, but provide its accordance and additions to new programs. Using managerial systems based on predicted changes and flexible, decisions are more and more used. They are accustomed to the unordinary and unexpectedness of future development, uncertainty and incomplete information. That's why they are called enterprising conceptions. In the conditions of system's growing complication and dynamically, innovation ideas are unified with evolutionary conception.

Organization more and more use stratgic planning and management by elements of “structure” and “culture” consolidation.

American conceptions of management was at the top in the last century, despite the important strengthening of European researches, which was assisted by the authorities of Harvard, Massachusetts, Stanford, Chicago and other busi-

ness -schools and activity of huge American consulting firms on the European market. American methods and ideas also used by the Japanese. At first they carefully, partial use them corresponded them to their managing system. In such a way American, European and Japanese methods of approach towards management were created. American theory of management is based on seven methods of approach: scientific management, classical theory of management, individualism, human relation, circumstance management, planning organizational changes, strategy management. Japanese management rejects tectonic methods of approach and is based on: joint responsibility, generalization of roles and rotation of vacancies, confidence in submitters, employee security guarantee and protection, planning career , pragmatic adaptation and rationalism, work ethics and loyalty towards colleagues. Despite European management differences, the European model of management is consolidating by rational and knowledge based decisions, social responsibility and orientation on person, inter-company negotiations and pluralistic opinions on organizational goals, creative methods of approach and self-development, de-idealization of decision making and create pragmatic strategy adequate with situation, using managing experience and technical skills, initiative and development of entrepreneur capacity. Methods of approach towards management are closely connected to the social-economic system where their forming takes place. Conceptions of management are forming in a determined period and as a rule, show non traditional ways to solve managing problems. Because of its geo-economic location, Georgia uses western and also eastern culture and both are important for Georgian management.

While today's economic system globalization, new technologies spreading and economic problems, internationalization and integration of management conceptions is noticed. Special reference is made for intellectual resources of separate organizations. Contemporary production manage-

ment is innovation-oriented and pays less attention to control, despite specialization integration of independence business sphere are widely developing, accent is transferred from scale economy to flexibility and rapidity of reaction.

Basic object of management research still remains to be a human factor of organization. Unitary, pluralistic and critical conceptions of management have been widely spread. Supporters of unitary conception consider general goal of organization as basic one and every member of organization after its sharing must subordinate private interest. While working conditions in equal rhythm every department of organization must approach general goals by realization their own goals. Pluralistic conceptions consider organization a coalition of interested teams, where each team has its own tasks which may or may not coincidence with others requirements. If unitary conception considered the interest of managers, owners and employee's despite their differences, was coincidence with management tasks, by pluralistic conception was recognized that members of organizations (despite their status) have competitive priorities why in organization often appears disagreement about organizational goals and way of their approach. Organizational disagreement isn't a sign of failure, but a natural process of interest competition.

Analysis of the weak points of unitary and pluralistic conceptions has been made. Critics don't acknowledge the effectiveness of rational methods for management and organizational tasks balance consensus of opposite interests, but they consider that motive power of rational and effective resolutions searching process is hidden fight for resources and pay much attention to group according this point of view having different influence. They hide their real interests in all its aspects and attempt pragmatic approach to bring into harmony with tasks.

Entrepreneur units are obliged to submit and implement regulatory law and recruitments of state organizations, also basic articles of international agreement according to

location and sphere of activity. During the transition period into a market economy, every government has specific goals and while achieving them according to a formed economic situation and international condition are changing methods and means of regulation. According to official reports for the Georgian government, the deregulation process is in action, but in observance of competitiveness and free choice, it only assists to develop monopoly forms in undeveloped civil society conditions. In general, the tasks of economic state regulations are the following: treat and enforce juridical base to protect entrepreneurs' interests; control legislation; make state regulations more effective and reduce expenses; reduce direct intervene and bureaucratic control over production activity; form free choice and competitive market conditions; implement right financial, tax, monetary and interest politics to maintain the stability of the country's budget; pay attention to current and perspective tasks while providing scientific- technical development and structural - investment politics; manage inflation by economic methods and growing assistance of capital accumulation; provide free moving of labor capital and protect labor legislation norms; protect consumers' rights; implement just social politics.

Nowadays, the government more intensively participates in organizational-economy regulation of production. The gear of regulation is based on main directions of structural transmitting in long term economic development programs. Administrative supervision and normative regulation of production is realized. Tools for financial regulation are being used more and more by the government. Using state foreign-economical policy assists in protecting the country's entrepreneurs' interest and rights in the international market, which together with organizational and financial support, involves arrangements for rising competition of native production. The government attempts to support business-structures to enter new markets and to expand their export operation scale. The government uses as direct (arrange-

ments to improve pricing, policy of incomes' distribution, support to enterprising development and etc.), also indirect regulation methods (taxes, subsidies, currency arrangements, quotes and etc.) for market structure development. Development of state antimonopoly policy practice hugely depends on effectiveness of antimonopoly organization work, which in Georgia, is now reorganized into the Agency of Free and Competitive. In general, state antimonopoly policies are carried out using strict state control over capital centralization (up from using financial sanctions to liquidation of monopoly structures) also in the way of liberation market relationship (reduce or cancel privileges on custom taxes and import, improve investment climate for investors, maintain small business and venture firms, support enterprise diversification and so on). Antimonopoly policies in general do not mean struggle against monopolizing, but it is strictly directed against those monopolists who destroy market structures and provide activities limiting practice towards small business.

The role of skilled staff is very important in small business, as non-effective action of each employee importantly damages enterprise structure and reduces its competitiveness. Managerial work often is not picked out from enterprise's work, so managers' work is multi-profile characterized: operative and strategic management, financial and marketing management, human resource management, production, and innovation management. Managers frequently do not have the opportunity for effective monitoring and factorial analyze of business environment and estimation of enterprise structure interior reserves is also superficial. Say nothing about non-rational distribution of authority and non-existent organizational structure. Basic managerial functions are also realized at a primitive level. Only a small number of managers care about informational floats treatment and innovation approach, but inevitability of improving management in small enterprise structures is recognized by everyone. Firms processing in the high - technological sector can't

find suitable staff, even in mass unemployment conditions, because some of them have been disqualified and a great part of them refuse the offered salary and career perspective - for professionals' working in the large structures is more attractive. This process is influenced by observer practice of staff choosing and hiring in small business, which is mostly informal. It's true that international organizations support creating business-incubators in every possible way, but entrepreneurs' attitudes towards this sector is still skeptical.

Despite that small business structures participation in legal business has increased in the last period, the conditions of unimproved taxing and financial system shadow economy share is still noticeable in Georgia. Because of small business managements, un-development increases the following negative events: diversification policy directing becomes harder because of little opportunities to overcome the difficulties of entering and leaving from one sector to another, effective investment attraction opportunities are reduced while groundless business-strategy conditions; bankrupt risks increase because of uncompetitive managerial decisions; the quality of using business consulting is low and it is often used not to make optimal decisions but to document already made decisions; business education systems in Georgia can't satisfy the requirements of small businesses, because entrepreneurs have not formulated demands for managerial education, and active staffers' re-training systems are not market adequate. It is clear that solving the aforesaid problems is impossible without achieving concerning consensus of stakeholders and a strong will.



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