Comparative Analysis of Public Associations of Small and Medium-Sized Enterprises in Russia and Germany

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Abstract—In terms of a high value at external and internal environment risk of Russian small and medium-sized enterprises and the expediency of their organized interaction in the form of public associations, the authors analyzed the progressive activities of similar associations in Germany. In order to identify comparable problems and adapt German approaches to Russian reality, the study was carried out both at the regional level (the Samara region in Russia and the Baden-Wurttemberg region in Germany), and with respect to municipalities (the cities of Samara and Stuttgart).

In the course of the study, the authors assessed the legal framework for state support of small and medium-sized enterprises in the countries under research, taking into account their importance in the national economy. A special attention is paid to the legitimate functioning of public associations under consideration, to qualitative features of the organizational structure of institutions representing the interests of small and medium-sized enterprises.

To carry out a comparative analysis of the surveyed public associations’ performance in Russia and Germany, the authors considered their authority, the types of support provided and the tools used for this purpose.

The study is based on the documentary analysis and results of a survey of representatives of public associations, as well as government agencies supporting small and medium-sized enterprises in Russia and Germany.

Keywords — small enterprises, medium-sized enterprises, public associations of small and medium-sized enterprises, problems of entrepreneurship

I. INTRODUCTION

The conditions for the rapid emergence of small and medium-sized enterprises in Russia, which formed during the transition to the market economy, were significantly different from the market economy of the long-standing developed private entrepreneurship in European countries. In this regard, the Russian small and medium-sized enterprises (SMEs) are more vulnerable to market risks and they are more likely to face problems of bureaucracy and corruption in public authorities. That is why, it is especially urgent to study the progressive experience of public organizations that assist SMEs when developing business and help overcome significant problems.

Scientifically, the problems associated with the performance of both small and medium-sized enterprises and their public associations are not sufficiently analyzed. The economic mechanism for financing activities of SMEs and their public associations was considered by I. V. Bogomolov [4], A. A. Shamraya [6], V. S. Prokhorovsky [16], J. H. Pickler, H.Y. Plaitner, and K. H. Schmidt [11]. Features of accounting and internal control for information management of SMEs were considered by L. V. Alekseeva [1], S. V. Andreeva [3] D. A. Endovitsky [5], Yu.V. Litvin [5], N. A. Lytneva [10], F.L. Sharovaya [15], and E. A. Starkova [17]. The analytical performance of SMEs was studied by V.I. Barilenko [2], N.P. Lyubushin [8], L.V. Usatova [19], and A.V. Shokhneh [20].

In this regard, the objective of this study is to conduct a comparative analysis of SMEs in Russia and Germany, and to give recommendations on improving their performance using prior experience. In the course of the research, a documentary analysis and a survey of representatives of public associations and government agencies supporting SMEs in Russia and Germany was conducted. The territorial study is limited to the land of Baden-Württemberg in Germany and the Samara region in Russia at the regional level, the cities of Stuttgart and Samara at the municipal level.

II. COMPARATIVE CHARACTERISTICS OF SMEs IN RUSSIA AND GERMANY

The number of SMEs in Germany is two times less than the number of SMEs in Russia. At the regional level, the situation is the opposite: the number of SMEs in Baden-Württemberg is four times larger than the number of SMEs in the Samara region. At the municipal level, this indicator for small enterprises is almost the same.

In the ratio of SMEs in Russia, trade has 63.1%, industrial production has 9.9 %. In Germany, the situation is the following: 26% of turnover comes from trade and 34% from industrial production. At the regional and municipal levels in Samara, the main industry in terms of turnover is the large-scale trade and repair sector. In Baden-Württemberg, the first place is taken by the sphere of industrial production and services, in Stuttgart - the sphere of services.

The key problems of SMEs in Germany are:
1. Lack of (qualified) staff;
2. Digitalization;
3. Impact of external conflicts on SMEs in the international market.

In turn, the problems of SMEs in Russia are the following:
1. Instable legislation in the sphere of tax and financial regulation of the SMEs sector;
2. Problems of access to sources financing activities;
3. High level of administrative barriers;
4. Problems in finding markets for products.

III. SMEs NON-GOVERNMENT SUPPORT IN RUSSIA AND GERMANY

The most known bodies that represent the interests of businessmen of Russia and Germany are Chambers of Commerce and Industry. In Russia, there are 178 Chambers of Commerce and Industry, in Germany - 80, including at the district level (CCI of the Stuttgart district / region). The number of members is about 50 thousand in Russia and 3.6 thousand in Germany. The main feature of Germany is compulsory / forced membership in the CCI. The activities of Russian and German structures in general are similar: lobbying for the interests of entrepreneurs and the provision of services, including government services.

The functions and tasks of the Chamber of Crafts in Russia and Germany are comparable on paper. The Federal Chambers of Russia and Germany are united as Territorial Chambers of Crafts (16 Land Chambers in Germany and about 40 Regional Chambers in Russia), as well as branch unions of artisans. In fact, there is a huge gap between the real role of these organizations in promoting the interests of artisans. It should be noted that most Russian interviewees did not know about the existence of the Russian Chamber of Crafts and its role in supporting entrepreneurs. The difference is also evident in the number of employees of Federal Chambers: it is over 100 in Germany, and less than 5 in Russia.

When comparing the basis for the functioning of public associations of SMEs with regard to legislative requirements, it is established that in Germany there are no separate normative acts regulating the policy supporting SMEs. This is explained by the fact that the entire economy of Germany, in fact, consists of SMEs and all laws, one way or another, are directed toward the development of their activities. At the same time, at the federal level, the German Ministry of Economy and Energy, which is the central body for the development of the SMEs policy, developed a special initiative, “Focus on SMEs: Strengthening Responsibility - Enhance Freedom of Action,” in 2011 which serves as a kind of strategy.

IV. SMEs GOVERNMENT SUPPORT IN RUSSIA AND GERMANY

If we talk about the structure of costs supporting SMEs, the most significant part of them is spent on programs in the field of energy and environmental protection. They are followed by expenditures on innovation, technology development and mobility (mainly support measures were provided under the program for SMEs “Zentrale Innovationsprogram Mittelstand” (Main Innovation Program for SMEs), in which 543 million euros were allocated in 2015). The third place in terms of funding for SMEs and their public associations in Germany is taken by support of start-ups, development and investment. At the same time, it has been established that Germany has no subsidy programs such as state support of SMEs from the federal budget to the budgets of the subjects of the Russian Federation.

As for the Russian practice, at the federal level there is Law No. 209-FZ of July 24, 2007 “On the Development of Small and Medium-Sized Enterprises in the Russian Federation”, which regulates the main objectives and principles of state policy in the development of SMEs, the relevant authority bodies of state power of the Russian Federation and subjects of the Russian Federation in this field, and the types of support of small and medium-sized enterprises.

The main federal program for SMEs is called “On the Distribution and Provision of Subsidies for State Support of Small and Medium-sized Enterprises, including Peasant (farmer) Enterprises from the Federal Budget to the Budgets of the Subjects of the Russian Federation.” Within its framework, the federal budget funds are provided by the Ministry of Economic Development of Russia in the form of subsidies to the subjects of the Russian Federation (in case of co-financing expenditures by the latter) for implementing measures to support small and medium-sized enterprises at the regional level. Support of SMEs by the Ministry of Education and Science of Russia is provided through the Foundation for Promoting the Development of Small Forms of Enterprises in the Scientific and Technical Sphere.

When comparing regional practices, it is established that the Law of December 19, 2000, valid on the territory of Baden-Württemberg, is primarily aimed at supporting SMEs with less than 250 employees and annual turnover of up to 40 million euros. As the main law, this Law calls for measures supporting SMEs described in §§ 9-15 (vocational education, consulting, research, research on the state of SMEs, establishment of cooperation of enterprises, etc.) and §§19-21 (measures to provide enterprises with capital funds). It is stipulated that financing measures that support SMEs should be provided from the funds of Baden-Württemberg (§ 7), while the Law makes the Regional Ministry of Finance and Economy (§ 23) the main executor of norms.

As for state support of small enterprises in the Samara region, it has been implemented since 1993. In 1994 the regional target program supporting and developing small enterprises was developed, funds were allocated from the regional budget for its implementation. Currently, state

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1 From the interview with the representative of the Department “Policy in the field of SMEs” of the Ministry of Economy and Energy of Germany.
2 The report of the Ministry of Economy on the implementation of measures to support small and medium-sized enterprises in 2010-2013 and the main directions for the development of small and medium-sized enterprises for the near and medium term, as well as the draft rules for the allocation and granting of subsidies for state support of small and medium-sized enterprises in 2015, Section 5.1. Analysis of factors limiting the development of the SMEs sector, 104.
support of SMEs is done in accordance with the program of the Samara region “On Development of Small and Medium-Sized Enterprises, Trade and Tourism in the Samara Region for 2014-2019”, which covers all types and forms of state support of entrepreneurship in the Samara region. The program provides for four main tasks: information and consultancy support aimed at increasing the competitiveness of products and promoting them, improving the forms of financial support, training, retraining and skills development, the infrastructure development to support SMEs. Other types of support established in Federal Law No. 209 of July 24, 2007, resulted in the form of separate activities. The total amount of financing of the subprogram at the expense of the regional budget is about 1.3 billion rubles (209.2 million rubles annually). In addition, it is planned to attract federal budget funds to state support of small and medium-sized enterprises in the region.

Unlike Russia, we can identify one more additional territorial level in Germany, which is an intermediate step between the region and the municipality - the Stuttgart region. The Stuttgart region includes six municipalities - the city of Stuttgart and five adjoining municipalities (179 communes). The Development Corporation of the Stuttgart region developed a strategy for the regional development, the main themes of which were innovations, oriented to future mobility and the environment (environmental sustainability), professional staff, investors and communications.

At the municipal level, the authority to support SMEs is optional. In the city of Stuttgart, these powers are fixed in the city plan for the division of powers adopted by the City Council. At the municipal level, there is no separate program for the development of SMEs. All work is conducted under the slogan “economic development”. Start-ups, creative economy, property support, support of foreign firms, equal-dimensional location of enterprises on the territory of the city, support of investors and local firms are the main directions of the city’s economic development activities.

In order to ensure favorable conditions that can develop and enhance the competitiveness of SMEs in the Samara region by improving the efficiency of budget funds allocated from the budget of the Samara city, the Resolution of the Samara City Administration dated December 28, 2012 No. 1830 approved a long-term target program for the development and support of small and medium-sized enterprises in the Samara city for 2013-2018. This program includes the following activities.

1. Infrastructure development to support SMEs, property support of SMEs, development of a city business incubator.
2. Information support of entrepreneurial activity.
3. Financial support of SMEs.
4. Assistance in promotion of SMEs products.
5. Support of SMEs in the field of innovation.
6. Popularization and enhancement of the prestige of SMEs.

Thus, a comparative analysis showed that in Germany there is a greater variety of support measures that are not as global as in Russia. They rather complement the system of assistance in the development of SMEs, developed hundred years, that has become traditional. It should be noted that the absence of the federal law when developing SMEs does not represent any obstacle to support this economic sector in Germany. The emphasis in the development of SMEs is placed, first of all, on innovations and qualified personnel, which should ensure the country’s competitiveness in external and internal markets. The directions that are not so relevant for Russia include the efficiency of energy and materials use, as well as the succession of enterprises, which is associated with limited resources and traditional family business.

The legislative support framework of SMEs in Russia is more centralized and subordinated to the general development at all levels of government. Measures to support SMEs, differently systematized, are generally repeated. This is due, inter alia, to the co-financing of regional programs by the federal and municipal programs by the region. Such directions as creative economy and mobility have not found their clear reflection in Russian programs yet. The issue of the improvement of resources and the environment is also not so important in Russia. To achieve the objectives set by the federal “to build a small business in the chains of suppliers of large enterprises, innovation consumers will be large enterprises”, it is necessary to make sure that they see small enterprises and bring them into their orbit. This requires the state making some efforts, since 80% of the business is formed in trade, which indicates the need for its re-orientation in the industrial and innovative direction. At the present moment, the innovative and industrial components, although reflected in the regional and municipal programs, are not the key directions for the development of the regional and local economy. In Germany, this process of “integration” has already been completed. Russian regional and municipal programs for the development of SMEs are primarily aimed at supporting small enterprises. Financing of the programs is twice less in Samara than in Stuttgart, and at the regional level it is much less.

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CONCLUSION

Based on the results of the study, it was revealed that, in the framework of legal support of SMEs, Germany demonstrates significant successes compared to Russia. At the legislative level, the activity of specific types of data of economic entities is regulated, in particular, by re-organized organizations. At the same time, the very notion of “SMEs” is quite different in Germany, and there are no specific criteria for classifying these entities in Russia. Perhaps this is due to the fact that Germany, as a member of the European Union, is
subject to legislative standards of this particular association, and is trying to adapt legislation in relation to specific small and medium-sized enterprises.

German experience in supporting innovative, high-tech enterprises is commendable. It is advisable to take similar actions in Russia. At the same time, despite the fact that SMEs in Germany are developing more successfully than in Russia, German experience should be taken with caution - it is necessary to take into account the historical past of Russia, the mentality of citizens and the tasks set by the state.

References