



Entrepreneurship in Small and Medium-sized Enterprises

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Abstract: *Today, entrepreneurship as driving engine of economic growth and development can play an important role in economic growth of countries, creation of employment and social welfare. In this regard, establishment of Small and Medium-sized Enterprises (SMEs) is one of the main priorities in economic development programs in many developed and newly developed countries, as SMEs play an important role in creating entrepreneurial opportunities and providing appropriate ground for innovation and increasing exports. The present study aimed to examine development status of SMEs in order to create entrepreneurial opportunities.*

Keywords: *Entrepreneurship, Development, Small and Medium-sized Enterprises (SMEs), Innovation.*

INTRODUCTION

Development of small industries and medium-sized technologies can be considered as an appropriate strategy for countries, and through eliminating poverty, increasing income, creating job opportunities for unskilled labor, accumulation of capital through increasing returns, improving efficiency in rural sector, as well as through preventing spread of urbanization and excessive migration, it can help the development process of countries from economic and social dimensions and accelerate economic growth (Ayyagari et al., 2014). The most important feature and advantage of SMEs in addition to being more smooth and having the ability to adapt to changing environmental conditions is their competitive and innovative status. In 1990, four million jobs have been created by SMEs; while large enterprises have lost 1.7 million jobs (Regasa, 2015). 55% of innovative and new products are created by SMEs, since small entrepreneurial industries in the changing environmental conditions easily survive from economic crises and continue their activity with more energy (Benzazoua Bouazza et al., 2015). High unemployment rate, low labor productivity, unequal distribution of income and regional imbalances on one hand, and limitations of investment resources, on the other hand, are considered among the permanent problems of developing countries; hence, economic experts and policy makers have tried to use limited resources to overcome these problems (Lee, 2014). The theory of endogenous development through strengthening of SMEs is one of the most important of these policies. Entrepreneurship plays an important role in growth and development of SMEs. The entrepreneurial process is related to creation of knowledge and innovation (Abdulsaleh and Worthington, 2013). Entrepreneurship and creation of SMEs, as the driving engine of economic and social development, play an essential role in the development process of communities (Ipinnaiye et al., 2017). Since the impact of SMEs in the economic growth of countries

cannot be ignored, in order to be pioneer in this issue, countries develop long-term policies and plans and create incentives and conditions in order to use the constructive potential of SMEs to achieve the sustainable growth (Prange and Pinho, 2017).

Development of SMEs and creation of opportunities

SMEs affect the global economy through entrepreneurship and the creation of job opportunities and increasing revenues. They are also able to more easily adapt themselves to rapid environmental changes and respond more quickly to economic and political factors (Quartey et al., 2017). Therefore, recent developments and especially population pressures, moment-to-moment innovations, more complex management and decision making processes, the need for immediate and necessary decisions, and experiences resulted from activities of SMEs, have highlighted the importance of these firms. In these circumstances, creation of growth opportunities for SMEs is easier and more possible than large industries (Rand and Torm, 2012). Entrepreneurial capabilities are an important factor in development of companies and creation of entrepreneurial opportunities. Entrepreneurship is the process of identification and creation of opportunities in the market and exploiting the resources required to set up and operationalize those opportunities (Rosenbusch et al., 2011). Foulli (2005) considers the continuity and prosperity of business to be in entrepreneurship. Henderson (2002) argues that entrepreneurs significantly affect the level of economic activities through the creation of new businesses; such that many entrepreneurs start their work in the form of SMEs (Saqib, 2014). These enterprises have a significant role in the development of High Technologies (HT) and creation of jobs; and have a high degree of flexibility compared to the large companies and in many countries of the world, they are considered as the most important executive program for achievement of fair distribution of income and wealth, job creation, increasing of efficiency, and economic growth; and by providing appropriate ground for entrepreneurship and innovation, they are considered the causes of attracting and directing capitals in line with economic development of countries (Wang, 2016). Many governments have been convinced that they must provide the ground for the growth of SMEs in the form of technology development centers, industrial and technological parks, and support them until they can enter the market as an independent company (Sok et al., 2013). In Southeast Asian countries, 95% of total economic and industrial foundations of countries are formed by SMEs, and they play a significant role in these countries as a fundamental pillar of economy and employment, such that small businesses that have been implemented, play an important role in their industrial and economic growth and development. This has led to the increased wealth in community, reduction of poverty, and creation of more jobs, and more young people have turned to the self-employment and strengthening of self-reliance spirit (Wieneke and Gries, 2011). Therefore, paying attention to the growth and development of small, early-return, and entrepreneur industries as one of the means of economic development has always been considered. The need for low capital, high returns, and flexibility show economic justification of small industries more than ever. Hence, importance of the role of development of SMEs in industries can be clearly recognized (Ndiaye et al., 2018).

SMEs and their role in economic development

Development of SMEs is the key to economic development in the next decade. Studies have shown that SMEs affect the global economy through four channels of entrepreneurship, innovation and changing of technology, industry dynamism, and eventually, creation of job opportunities and increasing revenues (Kersten et al., 2017). Over the last two decades, a lot of content and qualitative changes have occurred in global markets; and the nature of businesses has undergone major changes; in parallel, the production-centered period has ended and a customer-centered period is being formed. Industrial manufacturers, with the aim of efficient use of facilities and preventing loss of valuable resources, have thought about measures that will result in a change in industrial structure (Aysan et al., 2016). One of the main and obvious features of this restructuring is more growth and promotion of SMEs. SMEs have been known in most countries as important elements in socio-economic progress (Obokoh and Goldman, 2016). These enterprises especially are significantly important in the creation of low-investment job opportunities, regional developments, and organizational

development of technology-based companies, product innovation, and creation of new methods. A look to socio-economic system in many developed and newly developed countries of the world shows that creating and supporting of SMEs is one of the fundamental priorities in the economic development programs of these countries (Akuru and Okoro, 2014). These economic enterprises, despite needing less investment, have more returns and play an important role in creation of jobs, creation of suitable ground for innovation and inventions, and increasing exports of these countries (Bouri et al., 2011). In many of these countries, these enterprises are the main suppliers of new employment, ground for evolution and innovation and pioneer of innovation of new technologies. On the other hand, these businesses due to their unique characteristics can have many attractions for private sector, that this issue, depending on domestic economic conditions of countries and supportive laws and policies in different countries, has been introduced as a successful model for scientific and industrial empowerment (Chelliah et al., 2010). In line with this, today, economic reforms such as forming and launching SMEs in many countries, especially developing countries, are considered as a strategic approach, and it necessitates the need for changing the role of government, empowerment of private sector, economic competitiveness, and interaction with global principles, etc. and policy-making based on the liberalization of economy and strengthening private sector in order to the development of economic activities. The creating and supporting of SMEs is one of the main priorities in economic development programs in many advanced and developing countries (Chiao et al., 2006). SMEs play an important role in job creation, and providing a suitable ground for innovation and increase of exports. These kinds of businesses have more flexibility and more entrepreneurship and creativity occur in them (Dong and Men, 2014). In other words, SMEs can more easily adapt themselves to rapid environmental changes and respond faster to economic and political factors, and they suffer less risk than large companies. Complex and rapid transformations of recent decades, as well as the acceleration of globalization process, have led various communities to try to prepare themselves more than before for accepting this change (Hsu et al., 2013). What was considered as an economic advantage until some decades ago was the establishment and keeping active of large businesses, and it was argued that the larger are these businesses, the more dynamic and powerful the economy will be (Ipinnaiye et al., 2017). Although this thought flourished during several decades and giant companies emerged based on that, but recent developments and especially population pressures, moment-to-moment innovations, more complex management and decision making processes, the need for immediate and necessary decisions, and experiences resulted from activities of SMEs, have highlighted the importance of these firms (Obokoh and Goldman, 2016). Today, in order to protect and resolve problems that these businesses face, different laws and facilities have been created to support them in different countries and the creation of appropriate space to help them grow and develop is one of the main responsibilities of governments. In Iran also special efforts have been made to support these units to achieve desired goals (Ogunyomi and Bruning, 2015).

Conclusion

There is no doubt that the performance of SMEs is very important for the economic development of most developing countries; for this reason, these businesses have always been supported a lot by their own governments. In addition, international organizations such as World Bank and United Nations Industrial Development Organization (UNDP) and many other countries also, through mutual cooperation, have provided a lot of financial and technical assistances to SMEs so that they can find their valuable position in developing countries. SMEs sector is of great importance for economy of countries, as it contributes greatly to the employment and gross domestic production (GDP), and the growth of this sector will make the economy more formal. In most countries, most jobs are created by these firms. In the 30 countries with the highest incomes in the Organization for Economic Cooperation and Development (OECD), more than two thirds of employed people are working in SMEs. For example, according to the investigations, SMEs account for more than 99 percent of US business entities, and more than 80 percent of the country's workforce is working in these businesses. SMEs in industrial countries such as Japan, Australia, Germany, France and Canada are also of great importance and are considered an important factor in economic growth and technological

advancement. These businesses also, due to having the required potential for improving income distribution, job creation, poverty reduction, export growth and entrepreneurship creation play a vital role in developing countries. The provision of financial and banking services to SMEs is also very valuable economically due to the importance of this sector in all countries. Particularly in low-income countries, banks can play a key role in this area, such that providing banking loans can provide sufficient incentives for informal sector to be more inclined to register their business and formalize it in order to receive these loans.

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