Challanges for the sme's (small and medium size enterprises)

Business

SME is an acronym for Small and Medium Sized Enterprises. These are business organizations that have a work force whose numbers are falling below a certain given limit (Nummela, 2011). The acronym, SMEs is normally used by international bodies and organizations such as the European Union, United Nations, World Bank, and the World Trade Organization. Ananthan & Appannaiah (2010) explains that a standard definition of SMEs does not exist, and it varies from one country to another. For instance in the European Union, an SME is an organization that comprises of not more than 250 people, and it has an annual turnover of not exceeding 50 million euros (Hayes, 2009). The annual balance sheet of the organization should not be more than 43 million euros.

Hallberg (2000) further explains that in Europe, different countries have a definition of SMEs. For instance in Germany, an SME must not exceed a limit of more than 255 employees. In Belgium the number of employees must not exceed 100 people. This means that a company that has 255 employees in Belgium would pay taxes at a full rate, but it will qualify for a subsidy in the European Union (Padoan, 2010). In the United States, there is a criteria used in the definition of an SME. This criterion is based on the structure of ownership, the type of industry, the number of employees, and the revenue that the organization gets. In the United States, the cap that limits an organization identified as an SME may be 1500 people, but on most occasions, the cap stands at 500 people (Nummela, 2011).

SMEs normally face a series of challenges, and one such challenge is the inability of the organization to get some appropriate office space (Lenihan, 2010). For instance, an SME would need some appropriate infrastructures in their buildings, which comprises of adequate water and electrical facility. However, these organizations rarely receive such facilities (Jetter, 2006). This is because of inadequate financing, and capital resources that can make them to afford these kinds of facilities. Furthermore, SMEs are always unable to access high quality internet services at a cheaper cost. This is because most of them have to get their own DSL links or wireless internet services which are always expensive. This is because they are unable to pool their resources and purchase bulk internet connectivity at a wholesale price (Levy, 2005).

Most entrepreneurs of SMEs normally lack experience, and this plays a role in the failure of their business enterprises. Because of their inexperience, they are not able to plan appropriately, assess the market, and properly carry out a marketing strategy that is efficient and effective (Reddy & Appannaiah, 2010). Because of this challenge, the concept of business continuity management has arisen. This refers to a set of planning and other related activities whose main intention is to ensure that an organization would continue to operate, despite the numerous challenges that it would face (Jones, 2003). There are three important elements that constitute business continuity management, and they are resilience, recovery, and contingency. Through resilience, business continuity management helps in designing infrastructures that would enable an SME to continue in business despite circumstances when they are not able to perform efficiently and effectively.

Under recovery, an organization would develop infrastructures aimed at reviving the critical areas of a business organization that failed. Contingency involves a situation where an organization is prepared to deal with any risks that it would face while undertaking its businesses. Through these measures, SMEs would always sustain their business environments.

Bibliography:

ANANTHAN, B., & APPANNAIAH, H. (2010). Business management (Rev. ed.). Mumbai

[India: Himalaya Pub. House.

Top of Form

Bottom of Form

HALLBERG, K. (2000). A Market-Oriented Strategy for Small and Medium Scale Enterprises.

Washington, D. C.: World Bank.

HAYES, G. (2009). A practical guide to business valuations for SMEs. Sydney, N. S. W., CCH

Australia Limited.

JETTER, A. (2006). Knowledge integration the practice of knowledge management in small and

medium enterprises. Heidelberg: Physica-Verlag.

JONES, O. (2003). Competitive advantage in SMEs organising for innovation and change.

Hoboken, NJ: J. Wiley.

Top of Form

LENIHAN, H. (2010). SMEs in a Globalised World. Cheltenham, Edward Elgar Pub.

Bottom of Form

LEVY, M. (2005). Strategies for growth in SMEs the role of information and

information

systems. Oxford: Elsevier Butterworth-Heinemann.

NUMMELA, N. (2011). International growth of small and medium enterprises.

New York:

Routledge.

PADOAN, P. (2010). SMEs, entrepreneurship, and innovation. Paris: OECD.

REDDY, P., & APPANNAIAH, H. (2010). Business management (Rev. ed.).

Mumbai [India:

Himalaya Pub. House.