



**Apavar**

**- theoretical**

**introduction.**

Work Package 2

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## **Management of SME**

Small and medium-sized enterprises play the main role by creating job opportunities and act as a factor of social stability and economic development in general. The European Union considers small and medium-sized enterprises as a backbone of European economy, employment and social integration. The Czech Republic is one of the countries in which further development of small and medium-sized enterprises has the significant impact on the whole economic and social development of the country and particular regions. (Dalíková, 2011).

Currently, there are several views on how to classify small and medium-sized enterprises (SME). It depends on what is the classification used for. The most common is this division used by providing financial aid either from the government or the EU. According to the classification of the EU, retail small and medium-sized enterprise is considered the company that employ less than 250 employees and its annual turnover does not exceed 50 million euros, or its total annual balance sheet does not exceed 43 million euros. Within the SME category, small enterprise is defined as enterprise employing less than 50 employees and its annual turnover or total annual balance sheet does not exceed 10 million euros. Retail (small) businessmen are defined as businessmen employing less than 10 people and their annual turnover or total annual balance sheet does not exceed 2 million euros. Veber agrees, that for the classification of SME number of employees is crucial, but he also recommends other indicators (Veber, 2003). According to the number of employees, there are others divisions: micro (1-10 employees), small business (11-50 employees) and medium-sized business is characterized by 51-250 employees. Bednářová (2007) is using this sorting too.

An increasing emphasis is placed on process management which acts new view of an organization and management of the company. It is alternative to department or functional arrangement in which a business is divided into unit operations, divisions and departments and each unit has its own agenda and responsibilities. These units tend to creating barriers around in this model (especially communication and information), and the quality of work essential for prosperity of the company suffers (Arisis, 2009). New process direction in organizing of companies is based on the fact that every product (product or service) is a certain sequence of activities- thus the process. That is why the new way of displaying organizational relationships through process (gradual) diagram is adapted. This diagram includes all necessary activities, the connections between them, their sequence and responsible staff. This way of organizing defines activities and

employees responsible for their solution. This direction of management is applied mainly in large companies, but it does not mean that it could not be applied in SME as well (Rolínek, 2009).

SME mostly act in small markets or only in one area of the market. Thus they have limited number of products. The main advantages of small and medium-sized businesses include flexibility to respond to market changes (Harmon, 2007). As an additional benefit, we can state a considerable customer orientation. Closer contact with customers. Minimum number of intermediary component between the workers coming into contact with customers and senior management. Fervor of an entrepreneur and his efforts to develop the company. Great flexibility, which is very important in a fast-changing marketing and others parts of environment.

On the other hand, to the detriment of small and medium-sized companies talk primarily limited resources in the financial, personnel, and last but not least the lack of theoretical knowledge and practical experience of an entrepreneur. After reviewing the above mentioned advantages and disadvantages of small and medium-sized enterprises it is necessary to emphasize that the processes must be applied under these conditions with regard to use of basic above mentioned advantages and aspects of the marked disadvantage must be eliminated or be completely removed (Wagnerová, 2008).

The application of process management in SME is very often investigated by teams of university researchers. One of them is the Department of Management of the Faculty of Economy within the grant of the University of South Bohemia GAJU 068/2010/S. Data were obtained in a questionnaire survey in 2010. 188 business subjects were analyses on the whole, 11 interviewers took part in data acquiring. Monitored subjects came from 53 different locations (localization according to their zip code), most of them came from České Budějovice (66 subjects with the 370 01 zip code), the second area Horažďovice (14 with 341 01 zip code), the third Klatovy (10 subjects with 339 01).

The activity structure of the subjects is evident from the following data. The largest proportion consisted of subjects oriented on an engineering production (30 %). Further, the business were divided on the construction activities (28 %), trade and services (24 %), wood production (12 %) and the last group consists of companies focused on food production (6 %). The average length of participation in the market of all subjects was 17.27 years. Only a quarter of subjects have worked and been on the market for more than 19 years. 11 interviewers were attended on data acquisition. For basic data

processing were used commonly used procedures for processing surveys. Procedures commonly used for processing surveys were used for basic data analysis.

Pharmaceutical firms in the North Moravia and Silesia Region have to face competition from other developing chains of pharmacies – Dr. Max, Loyds, etc. Creating chains of companies results in an increase of their competitiveness, a decrease of their fixed expenses share, a rise of their flexibility, and other parameters. This pressure must be faced by pharmacies not only by creating competitive prices, but also by specific marketing strategies.

Competition also uses the development of virtual network oriented especially to pooling purchases of products, connecting pharmacies to specific general practitioners, intensive marketing strategies, for example the pharmaceutical chain Dr. Max delivers leaflets with reduced prices to homes, does not require commercials on TV.

The described pressure is very demanding for small firms and to keep the position on market they have to find specific customers' needs that cannot be satisfied in pharmaceutical chains and deal with them intensively.

There are other factors influencing prosperity of small pharmaceutical firms – especially the political ones related to the change of the regulatory fee paid to each prescription not to every item.

Another factor is presented by the existence of the permit related to the registration of new pharmacies in localities where the current number of pharmacies corresponds to the number of inhabitants. It can be estimated that the lobbying interests of big pharmaceutical chains will reject this kind of change in the future and it would have a strong impact on operating on market.

Nowadays, pharmaceutical market and its rules of price making are a topic of discussion in general public as different chains of pharmacies can offer completely different prices of the same drugs. The market is regulated by the state. Products are divided into groups according to their prices. The groups are identified by the highest possible percentage of margin that can be made by a particular product. Profit margins can be defined as net profit expressed as a percentage of sales. In economic practice, the optimal setting of margins is not easy, but it is the formula of many unknowns. It should be noted that the

price affects a number of factors, such as supply and demand, competition, the purchasing power of customers, the region, the season of sale, etc.

Although the pharmaceutical industry is one of the world's most research-intensive industries, generating new drugs that satisfy vital consumer needs in health care by saving lives and significantly increasing quality of life, in the pharmaceutical industry, there are market imperfections on both the demand and supply sides. As a result, the pharmaceutical industry is among the most heavily regulated industries.

Drugs and their prices and sales are regulated in the Czech Republic. The creations of maximum prices are regulated by the Ministry of Health of the Czech Republic and the State Institute for Drug Control

The market for drugs and medicines are divided in terms of pricing into the three following groups:

- drugs and medicines fully covered by public health insurance,
- drugs and medicines partially covered by public health insurance,
- medicines and medicinal products fixed to medical prescription fully covered by the patient,
- OTC medicines.

The first three groups are fixed to medical prescription but there are drugs that a patient may receive both with prescription and purchased freely. Price regulation is applicable to any medicines or food for special medical purposes; they are fully or partially covered by public health insurance.

The basis for determining the price of a medicinal product is cost price. The subject of price regulation is cost prices and production costs for business performance. The regulation of the pharmaceutical market is currently the responsibility of individual countries. However, it is believed that, in the future, regulations will be harmonised throughout the whole EU area.

Price regulators must choose medications that can be paid from funds which are available for the public sector. Drugs are divided into groups, such flu medications, high blood pressure medications, diabetes, etc. We can find fully paid medicaments in each of these groups and we can also find drugs with greater or lesser surcharge.

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