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Factors Affecting the Management of Small and Medium-Sized Enterprises and Corresponding Recommendations

Zhaohua Fan[1,a,*]

[1]*Faculty of Society Science and Law, University of Bristol, City of Bristol, BS8 1TH, The United Kingdom*
a. ys23525@bristol.ac.uk
**corresponding author*

Abstract: Small and medium-sized enterprises (SMEs)play a crucial role in economic development. Their management methods and internal strategic decisions not only affect their own development but also influence the establishment of internal management systems within related industries. Therefore, identifying the factors that influence changes in business management methods is of paramount importance for SMEs. Additionally, due to the smaller size and scale of SMEs, they are easily affected by changes in various management factors. To mitigate risks and enhance development, SMEs must assess both individual and combined impacts of various factors. This article employs a literature review to examine SMEs comprehensively. It summarizes and analyzes existing research, identifies key management factors, and offers targeted recommendations. The research results show that human resource management, financial management, and technology management have important effects on the management methods of SMEs. All three aspects originate from the enterprise itself and continuously affect enterprise development from different angles. Therefore, this article also proposes corresponding recommendations for SMEs concerning these three aspects, in order to continuously improve enterprise management methods.

Keywords: Management Factors, Small and Medium-Sized Enterprises, Management System

1. Introduction

The management methods need to be continuously adjusted in response to the current economic situation and market changes, to better adapt to the social environment and effectively mitigate risks. However, the management methods vary across different types of businesses. SMEs, due to their smaller scale compared to large companies, face distinct challenges, including a lack of resources and technological limitations. Large corporations' more mature management methods cannot be directly adopted by SMEs; hence, their management methods and strategies need to be continuously adjusted based on their current state. Existing research on SME management is relatively comprehensive, drawing upon SMEs from different countries to analyze their management strategies and establish corresponding models for analysis. Meanwhile, considering the limitations of SMEs, scholars have also made recommendations for the future development of SMEs. However, there is a lack of summarizing discussions regarding influencing factors, with no clear analysis of the factors affecting SME management, and the suggestions are rather generic, lacking detailed and specific advice.

This study primarily focuses on analyzing different factors affecting SME management and their specific impact on business management methods. Since SMEs span numerous industries and fields, it is challenging to analyze them based on a single industry. Therefore, this paper applies the literature review method for a comprehensive analysis of SMEs, studying their current management status and strategies. Based on this, it explores the specific factors affecting SMEs, summarizing them into three parts: human resource management, financial management, and technology management. These three aspects cover the main parts of business development, enhancing the flexibility of businesses in facing risks, conducive to effectively mitigating risks, and improving business competitiveness and productivity. Concerning these management factors.This paper also proposes corresponding recommendations, such as focusing on talent management, broadening financing channels, and enhancing technological levels. Beyond existing macro-strategies, this paper also offers more specific suggestions for the future development of SMEs.

SMEs play a significant role in national economic development. Their management methods not only affect their own production efficiency but also influence the development of related industries. Therefore, studying the factors affecting their management methods is essential. Furthermore, based on such research, it is possible to promote subsequent changes in business management methods, keeping pace with the times and enhancing adaptability and flexibility in a volatile market. Moreover, as globalization progresses, SMEs are increasingly competing internationally. Understanding management factors and actively reforming based on current market demand changes can enable SMEs to better navigate the global market, understand international trade rules, and compete with larger multinational corporations.

2. Literature Review

2.1. Management Methods and Strategic Layout in SMEs

The management approaches of different companies are closely related to their actual business circumstances, and their management methods and strategies will also be adjusted appropriately according to the current strategy. Furthermore, companies learn from each other, optimizing existing management approaches with more advanced and excellent management philosophies. SMEs can also learn from the existing market management practices. However, given that SMEs have just started and have significant differences in resources, scale, and market influence compared to large enterprises, they cannot completely imitate them and need to adjust their management approaches and strategies from different perspectives. For example, Aragón-Sánchez and Sánchez-Marín analyzed the management approaches and strategies of Spanish SMEs from the resource-based view. They used three strategic orientations: defenders, prospectors, or analyzers. Their study concluded that the management approaches and strategies in technology position, innovation, and human resource management significantly influence business performance and efficiency [1]. However, Singh et al. also found that due to their small size, SMEs lack attention to formulating effective strategies. Their management approaches and strategies are mostly limited locally, aiming to circumvent constraints stemming from weak foundations in resources and innovation capabilities. To achieve the best in the industry, an enterprise must benchmark its existing base of assets and performance [2]. Most SMEs, due to their own scale factors, lack a certain degree of attention to their management approaches and strategies, and also, because of their short operation time, their strategic and management structures are not as well-developed as those of large companies. In this context, Levy et al. established a strategic information system investment model for SMEs to reduce costs, add value, and clarify market positioning [3]. However, current research on SMEs mostly focuses on business deficiencies and how to develop and improve, lacking a holistic study on the specific impacts of various factors on SMEs.

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2.2. Innovation in Management Systems of SMEs and Their Future Development Directions

Compared to large corporations with fixed patterns and business management processes, SMEs have a more flexible management system and broader space for transformation. The transformation of management methods is linked to many aspects of SMEs, and changes in different factors can affect the management approach. Hassan and Raziq studied the relationship between knowledge management and breakthrough innovation, finding a positive correlation between the two. This positive relationship indicates that knowledge management can promote management innovation and transformation in businesses, thereby enhancing their competitive advantage [4]. Similarly, Dambiski et al found a link between the sustainability of micro, small and medium-sized enterprises (MSMEs) and information-knowledge and networked open innovation. Therefore, managers and owners of MSMEs can reform their management approaches based on the state of information networks while paying attention to these practical situations [5]. Coelho and Matias proposed two solutions to prevent future development from being hindered by enterprise resource and strategic limitations. First, they suggest that the use and supervision of the enterprise management system be outsourced to related companies with more expertise. This would enhance management efficiency. Second, they recommended that SMEs in the same industry collaborate to create a new company through a joint venture [6]. However, current academic research on the development of SMEs mostly focuses on the factors affecting their transformation and suggests how to change accordingly, but there has not been a comprehensive study and analysis of the existing transformations in SMEs. Additionally, there is a lack of overall recommendations based on the internal factors of SMEs.

3. Factors Affecting Management

3.1. Human Resource Management

Human resource management can influence its development from three aspects: recruitment and training, compensation, and organizational culture. The effectiveness of the recruitment and training process affects the quality of talent attracted and selected by a company, which is crucial for whether a business can more effectively identify talent and improve recruitment efficiency. High-quality talent can significantly enhance the operational efficiency of SMEs and promote business development. The compensation structure and benefits policies play a vital role in attracting and retaining key talent for SMEs. There is a positive correlation between employees' performance and work efficiency and the perfection of the company's compensation structure. Imbalances between effort and compensation can lead to company chaos and cause business instability. Corporate organizational culture and the workplace atmosphere can affect employees' job satisfaction. A better working atmosphere can attract talent, reduce staff turnover, and promote team cooperation within the company. At the same time, the less disharmony displayed by employees towards the corporate environment, the more beneficial it is for the work and the organization, and the lower the tendency for employees to voluntarily terminate employment [7]. Compared to large corporations, human resource management in SMEs is more flexible, allowing for quick adjustments to recruitment mechanisms and staff deployment based on market demands. The relationship between managers and employees is also closer, providing managers with convenience in understanding employees' characteristics and needs. However, due to limited resources, SMEs have limited attractiveness to talent, and the employee benefits are still not on par with those of large companies with comprehensive benefits systems. These three aspects still have flaws in their actual implementation. In SMEs, the quality of training is affected by the company's own systems and capabilities.Training level affects employee performance. Poor training outcomes result from content unrelated to job requirements or unengaging methods, impacting job performance. Since performance is, to some extent, linked to compensation,

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fluctuations in performance can also affect the distribution of pay. In today's increasingly globalized and diversified world, establishing an organizational culture that both respects diversity and is inclusive undoubtedly presents a challenge. If a company has employees from different cultures, it may also face communication barriers, affecting teamwork and leading to employee turnover.

3.2. Financial Management

Financial management, as the foundation of business operations, plays a decisive role in the management and future development of SMEs. Financial management, based on capital operations, risk control, and future sustainable expansion, affects the development of SMEs. In SME management, capital operations involve the liquidity of the business's funds, which includes the business's cost structure, internal management, and external operating expenses, among others. These factors determine whether the business can maintain stable growth and continuous operation through cost control and budget management; risk management is not just a financial issue but can also be a management control issue [8]. Risk control can assess a business's ability to timely predict and avoid risks and manage existing financial flaws accordingly. When facing market supply and demand fluctuations, insufficient cash flow turnover, and other emergencies, a business's response measures reflect its market adaptability, determining whether it can effectively adapt to change and avoid risk losses. Financial management is not limited to the current development of SMEs but also affects the future sustainable development of the business. The choices a business makes regarding its budget and investments affect its development and expansion. Actively formulating effective financial strategies can promote the sustainable growth of the business and meet its future expansion needs. Compared to large companies, SMEs have relatively lower costs and operational capital needs and are more flexible. However, due to their smaller company size and imperfect organizational structure, they face a greater possibility of financial risks and have relatively weaker risk control capabilities.

3.3. Technological Management

Technological management impacts business development and operational efficiency. It affects SMEs management in three main areas: operational efficiency, market competition, and marketing. Effective management of technology provides richer information, facilitating decision-making and enhancing operational efficiency, thereby avoiding risks associated with information gaps. As technological development progresses and the audience for information grows, businesses face increasing competition. Moreover, with advancements in technology, the pace of existing technological iteration and updates accelerates, lowering market entry barriers and putting businesses under more competitive pressure. Consequently, businesses must adjust their current technology to prevent data breaches, requiring increased investment in technological management. Technological iterations continuously improve the quality of existing products and expand the avenues for product marketing. For instance, various social media platforms offer new marketing channels, allowing businesses to enhance product visibility, expand their influence, and increase customer satisfaction. When SMEs face new technological reforms, their flexible management structures enable relatively quick responses, but their access to technology is far less than that of large enterprises. Technological management focuses not primarily on fixed assets but dynamically on how a business continuously reforms resource allocation over time, deploys existing resources, and manages its ability to acquire new resources [9]. In the development of enterprise technology, based on the aforementioned three aspects, numerous challenges still exist. SMEs often experience slower technology update speeds, failing to timely refresh their technologies and tools. This leads to low operational efficiency and an inability to maximize productivity, affecting their business efficiency. The lack of research and development and innovation capabilities makes it difficult to launch new products or services, putting

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them at a disadvantage in the fierce market competition. Furthermore, SMEs have weaker capabilities in utilizing digital platforms, and poor adaptability in marketing strategies or vague brand positioning can directly impact the level of market marketing. This prevents businesses from deeply understanding customer needs, affecting the future development of the enterprise.

4. Development Suggestions

4.1. Talent Management and Team Building

According to Naif's research, talent management can serve as a strategic tool for organizations to enhance operational performance [10]. The organizational structure and staffing of SMEs are relatively simple, but due to the smaller scale of employees and more concentrated business tasks, continuous collaboration and coordination among employees are required. Therefore, to better improve management efficiency and avoid mismatches between training quality and actual work, it is essential for enterprises to optimize and reform their talent management and team-building systems. Firstly, based on the current situation of SMEs and the developmental needs of the enterprise, recruitment targets should be clarified, a reasonable recruitment plan should be formulated, and suitable talent selected to enrich the enterprise team. Secondly, the enterprise welfare system should be perfected, and a fair and reasonable compensation system established, which is not only linked to work performance but also needs to enhance salary transparency, reduce salary fluctuations, increase employee job satisfaction, and reduce talent turnover. Lastly, the internal promotion channels and methods should be clarified. Since SMEs have relatively flat management levels, this is conducive to selecting employees in an open and transparent manner, thereby increasing employees' promotion and development opportunities, enhancing employee loyalty, and avoiding unnecessary disputes within the team that affect operational efficiency. With the changes of The Times and the evolution of people's consciousness, the managers of Generation X will face certain difficulties in managing the subordinates of Generation Y due to the changes of employees' working attitudes and values [11]. Therefore, SME management should also pay more attention to communication, establish enterprises with diverse cultures, actively empathize with employee difficulties, and actively carry out offline team-building activities to strengthen understanding among employees, avoiding communication barriers. Meanwhile, the welfare system should not exceed the reasonable range the company can afford. As the company develops, it is necessary to continuously adjust and optimize according to the actual situation and development plan of the company to achieve the best operational effect.

4.2. Financial Management and Fundraising

In financial management, SMEs need to evaluate their financial budgets to ensure their reasonableness and flexibility, and make detailed adjustments and optimizations, such as formulating detailed budgets and financial structures. Enterprises can actively use professional financial software to make reasonable assessments and plans for future market changes and financial conditions based on data from the previous year or quarter. Enterprises can also use qualitative research methods, employing keyword-based search tools for data extraction [12]. Additionally, regarding fundraising, SMEs, being in the start-up phase, require significant amounts for turnover and development but can take advantage of special support funds provided by the government, tax incentives, loan subsidies, etc. As the enterprise grows, it can optimize its financial and management status for financing and expand financing channels for diversified financing. SMEs, being small in scale and having lower brand reputation and strong internal operational volatility, face certain difficulties in financing, but they have significant development space and strong development possibilities. At the same time, in financing, the entrepreneurial traits of integrity and innovation play a crucial mediating role in SMEs

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performance. Therefore, SMEs managers can adjust their management styles to achieve better management results, improve team performance, and thus attract investment [13].

4.3. Technology Integration and Digital Transformation

The development of technology not only promotes business growth but also, as technological advances and quality levels improve and market competition intensifies, creates certain obstacles. Enterprises need to clarify their product production processes, timely update the technologies and tools used, optimize production steps, and identify parts of the production process that can be improved or cost-reduced through technological progress. Strengthening technological research and development capabilities, learning from the advanced experiences of other enterprises, and enhancing the development of new products are essential. Moreover, against the backdrop of digital transformation, SMEs should actively use big data to analyze market demand, establish data analysis awareness and capabilities, and actively use digital platforms to optimize decision-making, clarify marketing strategies and brand positioning, and meet consumer needs. However, the transformation approach of SMEs significantly differs from that of large companies. Due to varying actual situations, the transformation steps and methods of SMEs cannot be directly replicated. SMEs, being smaller in scale and facing greater competitive pressure, should not blindly imitate under external pressure. Instead, they should first assess their existing technology and further develop a detailed technological roadmap, such as training employee skills and improving the technological production process [14].

5. Conclusion

The management methods of SMEs are influenced by a variety of management factors, among which human resource management, financial management, and technology management stand out as key aspects. These factors continually affect the company's management methods and future development from different levels and perspectives. To enhance competitiveness and mitigate risks, companies can optimize their existing management structures by improving talent and team management, evaluating financial budgets and broadening financing channels, and enhancing production technology and actively utilizing market data. This research provides a reference for SME management to some extent, offering insights for the formulation of future management methods. Future studies could continue to expand the research scope based on existing findings to explore factors affecting the management of different types of businesses, thereby enriching the research framework. Additionally, research could become more specific and precise, examining the differences in management factors across industries to propose more referential suggestions.

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